



Metsimaholo Local Municipality
Annual Financial Statements
for the year ended 30 June 2015

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

General Information

Legal form of entity

Local Municipality

Nature of business and principal activities

The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Rates and general services - All types of services rendered by the municipality, excluding the following; Housing Services - Supply housing to the community and includes the rental of units owned by the municipality to public and staff; Waste Management Services - The collection, disposal and purifying of waste, refuse and sewerage; Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality; and Water Services - Supplying water to the public

Executive Mayor

Mahlaku BT

Speaker

Matena SZ

Council whip

Soetsang TL

Mayoral committee

Khonto MW
Kubheka NJ
Mabasa KT
Mabefu RJ
Makhoba KJ
Radebe AN
Semonyo LS
Tshongwe SL

Councillors

Chebase LR
Coetzer FC
Du Plessis J
Du Toit T
Geyser JJ
Grobbelaar JJ
Holt S (resigned 13 February 2015)
Khunou SB
Machaea MF
Mahlangu PJ
Mare AK
Maseko VJ
Mdola NL
Mofokeng SS
Mofokeng TJ
Mokoena DE
Moolman HJ
Moreki S
Mosia TE - Chairperson MPAC since 17 September 2014
Mosia MM

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General Information

	Mtshali NM Nnune GB Nthebe MD Ntoane MG Oswald DM Phepheng-Lelahla JM Poho MS Rampala AM (Elected 13 March 2015) Sejaki MN Tamane MA Viljoen JD Van der Walt MC
Municipal demarcation code	FS204
Grading of local authority	Metsimaholo Local Municipality is a grade 9 Local Authority in terms of item IV of the Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998
Capacity of local authority	High Capacity
Accounting Officers	Molala SM Monyaki S J
Chief Financial Officer	Lambat A (B.Com.B.Accounting.CA(SA))
Registered office	Civic Centre Fichardt Street Sasolburg 1947
Business address	Civic Centre Fichardt Street Sasolburg 1947
Postal address	PO Box 60 Sasolburg 1947
Bankers	Standard Bank LTD ABSA Bank LTD
Auditors	Auditor-General of South Africa

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General Information

Attorneys

Adolff Attorneys
Boitumelo Maubane Attorneys
Kamati Incorporated
Lebea and Associates Attorney
Majavu Incorporated
Melato Attorneys
Melato - Mkhwanazi
Molefi Thoabala Inc Attorneys
Mollenaar and Griffiths Attorneys and Conveyancers
Moroka Attorneys
Ndobela Attorneys
Nkaiseng Attorneys
Phehello Molise Attorneys
Ponane Attorney, Notaries and Conveyancers
Rasegoete & Associates
Raphela Incorporated
Tefo Tladi Attorneys
Suleman Attorneys
Werksman Inc

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The following supplementary information does not form part of the annual financial statements and is unaudited:

Appendixes:

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Appendix E(1): Actual versus Budget (Revenue and Expenditure)	N/A
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Abbreviations

COGTA	Department of Cooperative Governance Traditional Affairs
DBSA	Development Bank of Southern Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
INCA	Infrastructure Finance Corporation Limited
LED	Local Economic Development
MFMA	Municipal Finance Management Act
MM	Municipal Manager
PAYE	Pay As You Earn
PFMA	Public Finance Management Act
PPP	Public Private Partnership
SALGA	South African Local Government Association
SARS	South African Revenue Service
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

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Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's auditors.

The annual financial statements set out on pages 7 to 97, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on his behalf by:

Monyaki S J
Acting Municipal Manager
Sasolburg
31 August 2015

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	3	10 742 061	16 066 814
Other financial assets	4	8 369 127	15 218 225
Receivables from non-exchange transactions	5	39 613 678	27 011 470
Receivables from exchange transactions	6	133 664 342	96 250 962
Cash and cash equivalents	7	26 194 963	26 129 149
		218 584 171	180 676 620
Non-Current Assets			
Investment property	8	86 415 127	86 440 918
Property, plant and equipment	9	1 077 769 548	930 533 939
Intangible assets	10	445 177	479 616
Heritage assets	11	561 001	561 001
Other financial assets	4	2 622 376	3 859 041
		1 167 813 229	1 021 874 515
Total Assets		1 386 397 400	1 202 551 135
Liabilities			
Current Liabilities			
Operating lease liability	12	1 199 646	871 174
Payables from exchange transactions	13	189 047 563	167 849 140
Value Added Tax payable	14	4 061 937	1 027 857
Consumer deposits	15	16 245 856	13 800 193
Unspent conditional grants and receipts	16	1 575 900	3 504 293
Short term portion - Long term loan	17	1 163 296	1 070 029
		213 294 198	188 122 686
Non-Current Liabilities			
Employee benefit obligation	18	44 624 535	42 419 302
Landfill closure provision	19	46 535 444	37 847 344
Long term loan	17	5 783 751	6 947 047
		96 943 730	87 213 693
Total Liabilities		310 237 928	275 336 379
Net Assets		1 076 159 472	927 214 756
Accumulated surplus		1 076 159 472	927 214 756

* See Note 40

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Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Service charges	20	505 942 724	410 553 032
Property rates	21	115 499 127	105 296 311
Government grants & subsidies	22	302 817 718	187 765 904
Interest received - consumers	23	14 576 318	17 139 242
Interest received - investment	23	2 167 164	1 693 563
Non- payment fees		2 330 959	3 144 753
Licences and permits		148 515	145 594
Public contributions and donations	24	7 699 428	3 005 858
Fines		22 876 411	15 854 944
Levies - refuse dumpyard		1 070 621	402 792
Connection fees		1 614 315	2 777 410
Other income	25	2 761 913	2 857 125
Income legal cost		4 254 028	2 245 691
Rental of facilities		4 599 853	4 857 964
Gains on disposal of assets		475 011	-
Dividends received		88 183	78 385
Total revenue		988 922 288	757 818 568
Expenditure			
Employee related cost	26	(175 079 691)	(188 397 527)
Remuneration of councillors	27	(14 409 512)	(13 173 344)
Depreciation and amortisation	28	(38 692 098)	(32 238 338)
Finance costs	29	(4 602 127)	(2 281 562)
Debt impairment	30	(116 556 594)	(91 918 392)
Repairs and maintenance		(25 693 030)	(15 226 694)
Bulk purchases	31	(279 220 268)	(255 572 719)
Contracted services	32	(83 216 302)	(23 971 696)
Grant and subsidies	33	(23 527 965)	(32 193 226)
Loss on disposal of assets		(5 401 585)	(1 762 887)
Lease rentals on operating lease		(3 758 834)	(3 921 242)
General expenses	34	(71 543 847)	(60 155 551)
Total expenditure		(841 701 853)	(720 813 178)
Operating surplus		147 220 435	37 005 390
Actuarial gain		41 262	5 140 770
Fair value adjustments		1 139 610	1 763 743
Sale of stands (Loss on sale)		446 583	(4 039 975)
Loss on inventory		(114 814)	(385 860)
Fair value of shares		211 640	684 258
		1 724 281	3 162 936
Surplus for the year		148 944 716	40 168 326

* See Note 40

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	850 137 865	850 137 865
Adjustments		
Prior year adjustments	2 788 457	2 788 457
Balance at 01 July 2013 as restated*	852 926 322	852 926 322
Changes in net assets		
Surplus for the year	40 168 327	40 168 327
Land and Building take on	33 655 107	33 655 107
Prior year adjustments	465 000	465 000
Total changes	74 288 434	74 288 434
Balance at 01 July 2014 as restated*	927 214 756	927 214 756
Changes in net assets		
Surplus for the year	148 944 716	148 944 716
Total changes	148 944 716	148 944 716
Balance at 30 June 2015	1 076 159 472	1 076 159 472
Note(s)	40	

* See Note 40

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Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		471 925 900	419 260 801
Grants		176 779 147	188 399 440
Interest income		12 967 798	10 209 871
Dividends received		88 183	78 385
Other receipts		9 731 036	33 573 002
		<u>671 492 064</u>	<u>651 521 499</u>
Payments			
Employee costs		(174 239 934)	(197 175 447)
Suppliers		(448 938 129)	(348 277 365)
Finance costs		(4 602 127)	(2 281 562)
		<u>(627 780 190)</u>	<u>(547 734 374)</u>
Net cash flows from operating activities	35	<u>43 711 874</u>	<u>103 787 125</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(52 488 055)	(61 139 180)
Proceeds from sale of property, plant and equipment	9	475 011	-
Purchase of investment property	8	-	(9 484 000)
Purchase of intangible assets	10	-	(375 200)
Purchases of heritage assets	11	-	(1)
Net movement in financial assets		9 437 013	(2 344 375)
Net cash flows from investing activities		<u>(42 576 031)</u>	<u>(73 342 756)</u>
Cash flows from financing activities			
Raising of/(repayment) of other financial liabilities		(1 070 029)	(982 924)
Finance lease liabilities(repaid)/raised		-	(12 516 576)
Net cash flows from financing activities		<u>(1 070 029)</u>	<u>(13 499 500)</u>
Net increase/(decrease) in cash and cash equivalents		65 814	16 944 869
Cash and cash equivalents at the beginning of the year		26 129 149	9 184 281
Cash and cash equivalents at the end of the year	7	<u>26 194 963</u>	<u>26 129 150</u>

* See Note 40

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Note 46)
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	558 951 750	(3 000 000)	555 951 750	505 942 724	(50 009 026)	46.1
Rental of facilities	5 001 910	-	5 001 910	4 599 853	(402 057)	
Interest received - consumers	18 600 000	(3 300 000)	15 300 000	14 576 318	(723 682)	
Non payment fees	2 200 000	(700 000)	1 500 000	2 330 959	830 959	46.2
Licences and permits	171 600	-	171 600	148 515	(23 085)	46.3
Fines	5 022 870	-	5 022 870	22 876 411	17 853 541	46.4
Levies dump yard	1 000 000	-	1 000 000	1 070 621	70 621	
Connection fees	2 912 500	-	2 912 500	1 614 315	(1 298 185)	46.5
Other income	3 852 440	186 000	4 038 440	2 761 913	(1 276 527)	
Income legal cost	3 500 000	1 300 000	4 800 000	4 254 028	(545 972)	46.6
Interest received - investment	2 400 000	(1 100 000)	1 300 000	2 167 164	867 164	46.7
Dividends received	-	-	-	88 183	88 183	
Total revenue from exchange transactions	603 613 070	(6 614 000)	596 999 070	562 431 004	(34 568 066)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	102 113 860	8 900 000	111 013 860	115 499 127	4 485 267	
Transfer revenue						
Government grants & subsidies	177 324 000	(10 000 000)	167 324 000	302 817 718	135 493 718	46.8
Public contributions and donations	1 666 000	-	1 666 000	7 699 428	6 033 428	46.9
Total revenue from non-exchange transactions	281 103 860	(1 100 000)	280 003 860	426 016 273	146 012 413	
Total revenue	884 716 930	(7 714 000)	877 002 930	988 447 277	111 444 347	
Expenditure						
Employee related cost	(213 894 640)	17 884 380	(196 010 260)	(175 079 691)	20 930 569	46.10
Remuneration of councillors	(14 685 310)	-	(14 685 310)	(14 409 512)	275 798	
Depreciation and amortisation	(62 639 720)	12 418 800	(50 220 920)	(38 692 098)	11 528 822	46.11
Finance costs	(3 034 300)	(827 090)	(3 861 390)	(4 602 127)	(740 737)	46.12
Lease rentals on operating lease	(4 763 230)	263 198	(4 500 032)	(3 758 834)	741 198	46.15
Bad debts written off	(64 300 000)	-	(64 300 000)	(116 556 594)	(52 256 594)	46.14
Repairs and maintenance	(30 685 250)	2 361 500	(28 323 750)	(25 693 030)	2 630 720	46.13
Bulk purchases	(318 550 350)	650 000	(317 900 350)	(279 220 268)	38 680 082	46.16
Contracted services	(29 660 250)	(58 764 870)	(88 425 120)	(83 216 302)	5 208 818	
Grants and subsidies	(40 388 220)	8 631 240	(31 756 980)	(23 527 965)	8 229 015	46.17
General expenses	(85 904 960)	6 178 070	(79 726 890)	(71 543 867)	8 183 023	
Total expenditure	(868 506 230)	(11 204 772)	(879 711 002)	(836 300 288)	43 410 714	
Operating surplus	16 210 700	(18 918 772)	(2 708 072)	152 146 989	154 855 061	
Loss on disposal of assets	-	-	-	(4 926 574)	(4 926 574)	
Actuarial gain	-	-	-	41 262	41 262	
Fair value adjustments	-	-	-	1 139 610	1 139 610	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Note 46)
Figures in Rand						
Sale of stands	5 000 000	-	5 000 000	446 583	(4 553 417)	
Loss on inventory	-	-	-	(114 814)	(114 814)	
Fair value of shares	-	-	-	211 640	211 640	
	5 000 000	-	5 000 000	(3 202 293)	(8 202 293)	
Surplus before taxation	21 210 700	(18 918 772)	2 291 928	148 944 696	146 652 768	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	21 210 700	(18 918 772)	2 291 928	148 944 696	146 652 768	

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Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value-in-use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as inflation and interest.

Value-in-use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

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Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post employment benefits

The present value of the post employment obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post employment obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 18.

Effective interest rate

The municipality used the government bond rate to discount future cash flows.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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Accounting Policies

1.3 Investment property (continued)

Cost model

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value, on a straight line basis over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Such difference is recognised in surplus or deficit when the asset is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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Accounting Policies

1.4 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	50 years
Furniture and fixtures	3 - 30 years
Infrastructure	5 - 50 years
Land	indefinite
Motor vehicles	3 - 20 years
Office equipment	3 - 10 years
Plant and machinery	3 - 15 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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1.5 Site restoration and dismantling cost (continued)

The related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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1.6 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis to their estimated residual values, as follows:

Item	Useful life
Computer software	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 11 Heritage assets.

Initial measurement

Heritage assets are initially recognised at cost.

Where a heritage asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement heritage assets are carried at cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

Heritage assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

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1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long term loan	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Operating lease liability	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Finance lease	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measured at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at fair value.

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1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

Metsimaholo Local Municipality

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Accounting Policies

1.8 Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and building elements, the municipality assesses the classification of each element separately.

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1.9 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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1.11 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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1.12 Impairment of non-cash-generating assets (continued)

Value in use

Value-in-use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Statutory receivables

Statutory receivables are receivables that:

- arise from legislation, supporting regulations, or similar means; and
- require settlement by another entity in cash or another financial asset.

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1.13 Statutory receivables (continued)

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
 - the definition of an asset is met; and
 - it is probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:

- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable;
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the receivable;
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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Accounting Policies

1.14 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for it in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Metsimaholo Local Municipality

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Accounting Policies

1.14 Employee benefits (continued)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Metsimaholo Local Municipality

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Accounting Policies

1.14 Employee benefits (continued)

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Metsimaholo Local Municipality

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Accounting Policies

1.15 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

The related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Metsimaholo Local Municipality

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Accounting Policies

1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest

Revenue arising from the use by others of municipality assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Metsimaholo Local Municipality

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Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes (Property rates for municipalities)

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Collection charges and penalties

Collection charges and penalty interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Where the municipality collects fines in the capacity of an agent, the fines will not be revenue of the municipality.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Service concession arrangements: Grantor

A service concession arrangement is a contractual arrangement between a grantor (the municipality) and an operator in which:

- the operator uses the service concession asset to provide a mandated function on behalf of the municipality for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
 - the operator constructs, develops, or acquires from a third party; or
 - is an existing asset of the operator.
- is provided by the grantor (municipality) which:
 - is an existing asset of the municipality; or
 - is an upgrade to an existing asset of the municipality.

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:

- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.19 Service concession arrangements: Grantor (continued)

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The payments made to the operator are accounted for according to their substance as:

- a reduction in the liability recognised;
- a finance charge; and
- charges for services provided by the operator.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services. If not, the service component of payments is determined using valuation techniques.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 41 for detail.

1.21 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with Section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.25 Value-Added Tax

The municipality is registered with the South Africa Revenue Services (SARS) for value added tax (VAT) on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991)

1.26 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of cash.

The disclosures required in respect of unrecognised contractual commitments, are made disclosed in note 37.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are met:

- contracts are non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services) and;
- contracts relate to something other than the routine, steady, state business of the municipality - therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.27 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.28 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.30 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

Allowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. In all other instances, borrowing costs are expensed.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is not material.

GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is that:

- The municipality will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) applies this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the reporting entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 11: Consolidation – Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated financial statements.

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality expects to adopt the interpretation for the first time in the 2016 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. These amendments should be applied prospectively for annual financial periods beginning on or after the effective date.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. These amendments should be applied prospectively for annual financial periods beginning on or after the effective date from the date at which the municipality first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. These amendments should be applied when the municipality applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of this amendment is in conjunction with the effective date of GRAP 105, 106 and 107.

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. These amendments should be applied prospectively for annual financial periods beginning on or after the effective date.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. These amendments and addition should be applied when the municipality applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of this amendment is in conjunction with the effective date of GRAP 105, 106 and 107.

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. These amendments should be applied prospectively for annual financial periods beginning on or after the effective date.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. These amendments and addition should be applied when the municipality applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of this amendment is in conjunction with the effective date of GRAP 105, 106 and 107.

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective, but has already formulated an accounting policy for this reporting period based on the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

Directive 11: Changes in Measurement Bases Following the Initial Adoption of Standards of GRAP

The objective of this directive is to permit the municipality to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this directive allows the municipality, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the municipality elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the municipality made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this directive, the municipality will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the directive is for years beginning on or after 01 April 2015.

The municipality expects to adopt the directive for the first time in the 2016 annual financial statements.

It is unlikely that the directive will have a material impact on the municipality's annual financial statements.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
3. Inventories		
Water (purified water in reservoirs and pipes)	400 995	311 603
Unsold properties held for resale	9 495 094	14 537 094
Fuel (diesel, petrol)	308 268	105 283
Stores and materials	537 704	1 112 834
	10 742 061	16 066 814
4. Other financial assets		
At fair value		
Listed shares	3 058 871	2 847 231
Sanlam shares		
2015: 46,109 shares @R61,34		
2014: 46,109 shares @ R61,75		
Unit trusts	1 220 870	1 150 361
Sanlam - SIM Money market fund		
2015: 1 220 870 shares @ 100cents		
2014: 1 150 361 shares @ 100cents		
	4 279 741	3 997 592
At amortised cost		
Investment - unspent grants	1 575 900	3 504 294
Unspent grants		
- Department of Co-operative Governance R704 984(2014:R1 600 862)		
- Department of Water R10 230		
- Department of Energy R84		
- SETA R860 602 (2014:R1 269 896)		
- Extended Public Works Program R 0 (2014:R633,536)		
Investments - unspent grants	30 641	5 427 116
Sanlam investment policies R0 (2014:R5 396 955)		
Ceded - R30 641 (2014: R30,641)		
The investment and annuity matured at the end of January 2014.		
Long term receivable - long term portion	2 622 376	3 859 040
Arrangements with each receivable on specific repayment terms.		
Fixed instalment payable on monthly basis.		
Long term receivable - short term portion	2 486 293	2 292 672
Arrangements with each receivable on specific repayment terms.		
Fixed instalment payable on monthly basis.		
Impairments	(3 448)	(3 448)
	6 711 762	15 079 674
Total other financial assets	10 991 503	19 077 266
Non-current assets		
At amortised cost	2 622 376	3 859 041
Current assets		
At fair value	4 279 741	3 997 592
At amortised cost	4 089 386	11 220 633
	8 369 127	15 218 225

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
4. Other financial assets (continued)		
Financial assets at fair value		
Fair value hierarchy of financial assets		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 1		
Sanlam shares	3 058 871	2 847 231
Sanlam Unit trusts	1 220 870	1 150 361
	4 279 741	3 997 592
5. Receivables from non-exchange transactions		
Trade receivables	41 678 989	27 280 937
Deposits	1 620 500	1 538 838
Operating lease receivables	2	3
Rates	85 207 715	71 768 351
Prepaid electricity payments	4 846 573	4 414 617
Allowance for debt impairment	(93 740 101)	(77 991 276)
	39 613 678	27 011 470
Pledged as security		
None of the receivables from non-exchange transactions was pledged as security by the municipality during the financial year.		
Rates		
Current (0 -30 days)	6 426 830	6 519 141
31 - 60 days	4 101 361	4 159 041
61 - 90 days	2 877 589	2 484 022
91 - 120 days	71 801 935	58 579 059
> 365 days	(67 345 539)	(57 338 788)
	17 862 176	14 402 475
Summary of receivables by customer classification		
Household consumers		
Current (0 -30 days)	3 955 956	3 620 287
31 - 60 days	2 477 053	2 609 648
61 - 90 days	1 743 138	1 413 602
> 91 days	60 201 123	49 554 976
	68 377 270	57 198 513
Industrial and commercial consumers		
Current (0 -30 days)	2 415 552	2 350 932
31 - 60 days	1 601 621	1 001 560
61 - 90 days	1 112 248	525 419
> 91 days	8 867 510	6 719 357
	13 996 931	10 597 268

Metsimaholo Local Municipality

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Figures in Rand	2015	2014
5. Receivables from non-exchange transactions (continued)		
National and provincial government		
Current (0 -30 days)	55 322	547 922
31 - 60 days	22 687	547 833
61 - 90 days	22 203	545 001
> 91 days	2 733 302	2 331 814
	2 833 514	3 972 570
Total		
Current (0 -30 days)	6 426 830	6 519 141
31 - 60 days	4 101 361	4 159 041
61 - 90 days	2 877 589	2 484 022
> 91 days	71 801 935	58 592 603
	85 207 715	71 754 807
Less: Allowance for impairment	(67 345 539)	(57 338 788)
	17 862 176	14 416 019
Credit quality of receivables from non-exchange transactions		
The credit quality of receivables from non-exchange transactions that are neither past due nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information.		
None of the receivables that are fully performing have been renegotiated in the last year.		
Receivables from non-exchange transactions impaired		
As of 30 June 2015, receivables from non-exchange transactions of R93 740 101 (2014: R 77 991 276) were impaired and provided for.		
The ageing of these receivables is as follows:		
3 to 6 months	2 877 589	1 470 212
Over 6 months	90 862 512	74 191 164
Reconciliation of allowance for impairment of receivables from non-exchange transactions		
Opening balance	(77 991 276)	(59 217 016)
Allowance for impairment on other receivables	(1 246 799)	(4 916 071)
Amounts written off as uncollectible	12 130 348	4 104 669
Allowance for impairment on traffic fines	(16 625 624)	(9 610 838)
Allowance for impairment on rates	(10 006 750)	(8 352 020)
	(93 740 101)	(77 991 276)
6. Receivables from exchange transactions		
Gross balances		
Electricity	80 467 171	68 616 072
Water	453 836 481	354 516 196
Sewerage	29 019 605	25 045 443
Refuse	37 755 007	29 981 731
	601 078 264	478 159 442

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Figures in Rand	2015	2014
6. Receivables from exchange transactions (continued)		
Less: Allowance for impairment		
Electricity	(60 643 437)	(54 826 760)
Water	(354 700 198)	(283 111 837)
Sewerage	(22 629 532)	(20 012 751)
Refuse	(29 440 755)	(23 957 132)
	(467 413 922)	(381 908 480)
Net balance		
Electricity	19 823 734	13 789 312
Water	99 136 283	71 404 359
Sewerage	6 390 073	5 032 692
Refuse	8 314 252	6 024 599
	133 664 342	96 250 962
Electricity		
Current (0 -30 days)	11 772 300	7 068 793
31 - 60 days	8 930 193	5 344 836
61 - 90 days	2 408 431	3 152 390
> 91 days	57 356 247	53 050 053
Allowance for impairment	(60 643 437)	(54 826 760)
	19 823 734	13 789 312
Water		
Current (0 -30 days)	24 841 688	17 296 858
31 - 60 days	13 448 377	12 660 455
61 - 90 days	8 548 755	13 924 990
> 91 days	406 997 661	310 633 893
Allowance for impairment	(354 700 198)	(283 111 837)
	99 136 283	71 404 359
Sewerage		
Current (0 -30 days)	1 226 625	1 254 631
31 - 60 days	800 595	1 013 178
61 - 90 days	592 344	566 739
> 91 days	26 400 041	22 210 895
Allowance for impairment	(22 629 532)	(20 012 751)
	6 390 073	5 032 692
Refuse		
Current (0 -30 days)	1 739 132	1 537 197
31 - 60 days	1 218 385	1 111 563
61 - 90 days	932 583	694 449
> 91 days	33 864 907	26 638 522
Allowance for impairment	(29 440 755)	(23 957 132)
	8 314 252	6 024 599

Metsimaholo Local Municipality

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Figures in Rand	2015	2014
6. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Household consumers		
Current (0 -30 days)	17 764 627	13 855 489
31 - 60 days	11 238 188	13 470 184
61 - 90 days	8 912 537	13 884 281
> 91 days	477 805 171	370 608 309
	515 720 523	411 818 263
Industrial and commercial consumers		
Current (0 -30 days)	20 967 755	12 846 746
31 - 60 days	8 466 614	6 420 205
61 - 90 days	3 094 330	3 794 609
> 91 days	38 957 923	35 469 626
	71 486 622	58 531 186
National and provincial government		
Current (0 -30 days)	847 363	455 244
31 - 60 days	4 692 748	239 643
61 - 90 days	475 246	659 678
> 91 days	7 855 762	6 455 428
	13 871 119	7 809 993
Total		
Current (0 -30 days)	39 579 745	27 157 479
31 - 60 days	24 397 550	20 130 032
61 - 90 days	12 482 113	18 338 568
> 91 days	524 618 856	412 533 363
	601 078 264	478 159 442
Less: Allowance for impairment	(467 413 922)	(381 908 480)
	133 664 342	96 250 962
Less: Allowance for impairment		
Current (0 -30 days)	(10 251 715)	-
31 - 60 days	(6 988 087)	(9 795 781)
61 - 90 days	(5 979 640)	(8 516 317)
91 - 120 days	(444 194 480)	(363 596 382)
	(467 413 922)	(381 908 480)
Total debtor past due but not impaired		
Current (0 -30 days)	29 328 030	17 361 698
31 - 60 days	17 409 464	11 613 715
61 - 90 days	6 502 472	7 245 092
> 91 days	80 424 376	60 030 457
	133 664 342	96 250 962
Reconciliation of allowance for impairment		
Balance at beginning of the year	(381 908 480)	(320 262 870)
Allowance for impairment	(88 677 421)	(69 039 462)
Debt impairment written off against allowance	3 171 979	7 393 852
	(467 413 922)	(381 908 480)

Metsimaholo Local Municipality

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6. Receivables from exchange transactions (continued)

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the receivables that are fully performing have been renegotiated in the last year.

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R 53,239,966 (2014: R 36 220 505) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	29 328 030	17 361 698
2 months past due	17 409 464	11 613 715
3 months past due	6 502 472	7 245 092

Receivables from exchange transactions impaired

As of 30 June 2015, receivables from exchange transactions of R467,413,922 (2014: R 381 908 480) were impaired and provided for.

The ageing of these receivables is as follows:

3 to 6 months	23 219 442	29 405 574
Over 6 months	444 194 480	352 502 906

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 489	5 489
Bank balances	14 857 178	9 297 226
Short-term deposits	11 332 296	16 826 434
	26 194 963	26 129 149

Cash and cash equivalents pledged as guarantees

Guarantee: Eskom as electricity deposit	990 000	990 000
Guarantee: Post Office as postal deposit	80 000	80 000

Metsimaholo Local Municipality

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7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA Bank - bank account - 520 000 038	3 584 900	3 627 013	7 485 200	3 584 900	3 627 013	8 745 593
Standard Bank - current bank account (primary bank account) - 240347862	2 290 877	4 870 247	-	2 882 505	4 999 131	-
Standard Bank Revenue account - 33 197 836 9	8 393 419	679 695	-	8 389 773	671 082	-
ABSA Bank - call account - 907 840 0708	3 633 177	633 177	133 177	-	-	-
Rand Merchant Bank - call deposit account - X02 190 1012	1 427 726	427 726	77 726	-	-	-
Standard Bank - Call deposit account - 343 846	1 073 805	13 373 806	173 806	-	-	-
Standard Bank - call deposit account - 228 505 348	394	393	394	-	-	-
Nedbank - call deposit - 788 103 3088	5 773 095	2 895 624	48 270	-	-	-
Standard Bank - money market - 447 648	1 000 000	3 000 000	-	-	-	-
Short term deposits	-	-	-	11 332 296	16 826 434	433 373
Total	27 177 393	29 507 681	7 918 573	26 189 474	26 123 660	9 178 966

8. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	86 902 762	(487 635)	86 415 127	86 902 762	(461 844)	86 440 918

Reconciliation of investment property - 2015

	Opening balance	Depreciation	Total
Land and buildings	86 440 918	(25 791)	86 415 127

Reconciliation of investment property - 2014

	Opening balance	Additions resulting from capitalised subsequent expenditure	Transfers	Depreciation	Total
Land and buildings	77 880 709	9 484 000	(898 000)	(25 791)	86 440 918

Metsimaholo Local Municipality

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Figures in Rand	2015	2014
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8. Investment property (continued)

Pledged as security

No investment property was pledged as security for liabilities.

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	134 306 660	(52 217 280)	82 089 380	134 306 660	(49 553 049)	84 753 611
Furniture and fixtures	25 836 122	(17 976 643)	7 859 479	26 167 792	(19 291 204)	6 876 588
Infrastructure	1 697 922 934	(970 514 073)	727 408 861	1 650 762 495	(933 216 976)	717 545 519
Land	223 105 356	-	223 105 356	89 367 357	-	89 367 357
Motor vehicles	32 108 815	(16 879 258)	15 229 557	28 590 184	(17 491 033)	11 099 151
Office equipment	40 201 743	(25 258 816)	14 942 927	40 083 473	(26 278 262)	13 805 211
Plant and machinery	17 981 362	(10 847 374)	7 133 988	17 231 500	(10 144 998)	7 086 502
Total	2 171 462 992	(1 093 693 444)	1 077 769 548	1 986 509 461	(1 055 975 522)	930 533 939

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Additions through donations	Disposals	Depreciation	Total
Buildings	84 753 611	-	-	-	(2 664 231)	82 089 380
Furniture and fixtures	6 876 588	7 701	-	(106 981)	1 082 171	7 859 479
Infrastructure	717 545 519	47 184 154	-	(5 851)	(37 314 961)	727 408 861
Land	89 367 357	-	133 737 999	-	-	223 105 356
Motor vehicles	11 099 151	4 034 828	-	(153 037)	248 615	15 229 557
Office equipment	13 805 211	118 271	-	-	1 019 445	14 942 927
Plant and machinery	7 086 502	1 143 108	-	(92 714)	(1 002 908)	7 133 988
Total	930 533 939	52 488 062	133 737 999	(358 583)	(38 631 869)	1 077 769 548

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	81 843 692	3 331 775	(192 902)	2 430 445	(2 659 399)	84 753 611
Furniture and fixtures	3 061 307	-	(63 849)	4 848 317	(969 187)	6 876 588
Infrastructure	681 529 352	65 919 881	-	-	(29 903 714)	717 545 519
Land	66 413 694	465 000	(150 000)	22 638 663	-	89 367 357
Leasehold property	8 272 704	-	(21 265)	(15 676 253)	7 424 814	-
Motor vehicles	16 045 080	88 856	(1 192 285)	-	(3 842 500)	11 099 151
Office equipment	3 896 369	42 297	(4 676)	10 804 168	(932 947)	13 805 211
Plant and machinery	7 078 865	1 240 369	(11 272)	23 767	(1 245 227)	7 086 502
Total	868 141 063	71 088 178	(1 636 249)	25 069 107	(32 128 160)	930 533 939

Pledged as security

No property, plant and equipment was pledged as security for liabilities.

Metsimaholo Local Municipality

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9. Property, plant and equipment (continued)

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	863 321	(418 144)	445 177	863 321	(383 705)	479 616

Reconciliation of intangible assets - 2015

	Opening balance	Amortisation	Total
Computer software	479 616	(34 439)	445 177

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	188 809	375 200	(84 393)	479 616

Pledged as security

No intangible assets were pledged as security for liabilities.

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	561 001	-	561 001	561 001	-	561 001

Reconciliation of heritage assets 2015

	Opening balance	Total
Historical buildings	561 001	561 001

Reconciliation of heritage assets 2014

	Opening balance	Additions	Total
Historical buildings	561 000	1	561 001

This is land used to manufacture bricks that were used to build the Union Buildings in Pretoria (Tshwane).

Metsimaholo Local Municipality

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Figures in Rand	2015	2014
12. Operating lease		
Government garage		
Opening balance	871 174	483 626
Movement for the year	328 472	387 548
	1 199 646	871 174
Minimum lease payments due: Government Garage		
- within one year	2 759 638	3 174 355
- in second to fifth year inclusive	5 191 682	7 171 842
- later than five years	-	53 272
	7 951 320	10 399 469
Operating lease - Government Garage		
Operating lease payments represent rentals payable by the municipality for certain of its motor vehicles. Leases for motor vehicle are negotiated for an average of three years and rentals are fixed for the full term of the lease.		
Operating lease - Abrahamsrust Resort		
Operating lease payments represent rentals payable by the municipality for rental of property situated in Abrahamsrust.		
The municipality has a 50 year lease option that expires on 31 March 2017.		
13. Payables from exchange transactions		
Trade payables	34 274 567	29 388 340
Payments received in advanced - contract in process	11 808 701	8 827 536
Retentions	10 508 765	12 254 632
Accrued leave pay	12 364 983	12 803 148
Accrued bonus	3 618 350	3 998 162
Accrued expense	79 034 363	49 625 891
Eskom	27 765 523	33 192 218
Rand Water	9 672 311	17 759 213
	189 047 563	167 849 140
14. VAT payable		
VAT payable to SARS	4 061 937	1 027 857
15. Consumer deposits		
Water and electricity	16 245 856	13 800 193
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Department of Energy	84	-
Department of Co-operative Governance and Traditional Affairs	704 984	1 600 861
Sector Education Training Authority	860 602	1 269 896
Department of Water Free State	10 230	-
Extended Public Works Program	-	633 536
	1 575 900	3 504 293

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
16. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	3 504 293	4 347 025
Additions during the year	264 817 718	188 765 904
Income recognition during the year	(266 746 111)	(189 608 636)
	1 575 900	3 504 293

See note 22 for reconciliation of grants from National/Provincial Government.

These amounts are ring-fenced in investments until utilised.

17. Long term loan

Development Bank of Southern Africa Limited - Non-current portion	5 783 751	6 947 047
Development Bank of Southern Africa Limited - Current portion	1 163 296	1 070 029

Terms and conditions

The original loan amount approved was R19,000,000 but only R9,000,000 was disbursed in 2012/2013 financial year. The interest on the loan is fixed at 8.67% with capitalisation every 6 months but will be 10.67% on arrear amounts. The interest and capital repayment is made every 6 months in 14 equal instalments of R871,356 over 7 years. The loan is unsecured but the application of the loan is conditional to specific projects.

18. Employee benefit obligations

Defined benefit plan

Reconciliation of employee benefits obligation - 2015

	Opening Balance	Additions	Total
Employee benefit cost medical	26 601 076	2 485 840	29 086 916
Employee benefits long service awards	15 818 226	(280 607)	15 537 619
	42 419 302	2 205 233	44 624 535

Reconciliation of employee benefits obligation - 2014

	Opening Balance	Additions	Total
Employee benefit cost medical	30 414 015	(3 812 939)	26 601 076
Employee benefits long service awards	15 099 497	718 729	15 818 226
	45 513 512	(3 094 210)	42 419 302

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Figures in Rand	2015	2014
18. Employee benefit obligations (continued)		
Employee benefit cost obligation		
Post Employment Health Care Benefits		
Balance at beginning of year	26 601 076	30 414 015
Current-service cost	695 186	738 272
Interest cost	2 244 920	2 441 059
Actuarial (gain) / loss	826 902	(5 479 850)
Employer benefit payments	(1 281 168)	(1 512 420)
	29 086 916	26 601 076

Continue Medical aid membership

Municipal employees contribute to accredited medical schemes.

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

In-service members that were employed prior to 2001 are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

The Projected Unit Credit Method has been used to value the liabilities.

Accrued Liability

Category of member		
In-service members	11 756 916	11 809 516
Continuation members	17 330 000	14 791 560
All members		
Total liability	29 086 916	26 601 076
	29 086 916	26 601 076

Liabilities and experience adjustments are made. The table summarises the accrued liabilities and the plan assets for the current period and the previous period.

History of liabilities and assets

Present value of accrued liability	29 086 916	26 601 076
Fair value of plan asset	-	-
	29 086 916	26 601 076

The experience adjustments for the current period is summarised below. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

History of experience adjustments: Gains and losses

Metsimaholo Local Municipality

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Figures in Rand	2015	2014
18. Employee benefit obligations (continued)		
Experience adjustment		
Liabilities: (gain) / loss	685 186	738 272
Assets: gain / (loss)	-	-
	685 186	738 272
Best estimate of benefits payments expected in next annual period 2015/2016 (comparatives are for 2014/2015)		
Opening accrued liability	29 086 916	26 601 076
Current service cost	694 353	695 186
Interest cost	2 462 552	2 244 920
Benefit vestings	(1 407 864)	(1 281 168)
	30 835 957	28 260 014

Key financial assumptions

The table summarises the financial assumption used.

Discount rates	8,67 %	8,64 %
Health care cost inflation rate	7,84 %	8,01 %
Net effective discount rate	0,77 %	0,59 %

The next contribution rate increase is assumed to occur at 1 January 2015.

Average retirement age	65
Continuation of membership at retirement	70%
Proportion assumed married at retirement	70%
Mortality during employment	SA 85-90
Mortality post-retirement	PA 90-1 ultimate

Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

Number of in service members	63
Number of pensioners	42

Summarised results of the sensitivity analysis.

Sensitivity analysis on the accrued liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central assumptions		11.757	17.330	29.087	
Health care inflation	1%	14.175	18.938	33.114	14
	-1%	9.826	15.928	25.754	(11)
Post-retirement mortality	-1 yr	12.197	18.103	30.300	4
Average retirement age	-1 yr	12.554	17.330	29.884	3

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 14% higher than that shown.

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Figures in Rand	2015	2014
18. Employee benefit obligations (continued)		
Long term service awards		
Balance at beginning of year	15 818 226	15 099 497
Current-service cost	1 250 438	1 431 218
Interest cost	1 155 040	814 454
Actuarial (gain) / loss	(868 164)	339 080
Employer benefit payments	(1 817 921)	(1 866 023)
	15 537 619	15 818 226
Accrued liability		
Value of long-service awards	15 205 102	15 495 668
Retirement gifts	332 517	322 558
	15 537 619	15 818 226
Best estimate of benefits payments expected in next annual period 2015/2016 (comparatives are for 2014/2015)		
Opening accrued liability	15 537 619	15 818 226
Current service cost	1 489 958	1 250 438
Interest cost	1 146 306	1 155 040
Benefit vesting	(2 193 707)	(1 817 921)
Total annual expenses	-	-
	15 980 176	16 405 783

Long service awards

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

	Female	Male	Total
Number of eligible employees	200	433	633
Average annual salary	171 654	165 444	167 406
Salary-weighted average age	43.7	45.2	44.7
Salary-weighted average past service	12.3	12.4	12.4

Metsimaholo Local Municipality offers employees long service awards for every 5 years of services completed. There are two policies in place.

Completed service (in years)	Long service bonuses % annual salary	Description
5	4.0%	(5/250 + 2%) x annual salary
10	7.0%	(10/250 + 3%) x annual salary
15	10.0%	(15/250 + 4%) x annual salary
20	11.0%	(15/250 + 5%) x annual salary
25,30,35,40,45	12.0%	(15/250 + 6%) x annual salary

633 Employees benefit from this policy

Special leave pay

64 of the employees receive an additional six days of annual leave once they reach their five years of service.

Retirement gifts

193 employees are entitled to receive a retirement gift of 2% of annual salary at retirement. Employees must have at least 20 years of service to be eligible for the benefit.

The Projected Unit Credit Method has been used to value the liabilities.

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18. Employee benefit obligations (continued)

Key Financial assumptions

The table summarised the financial assumptions used.

Discount rates	7,93 %	7,74 %
General salary inflation rate (long term)	7,04 %	6,96 %
Net effective discount rate	0,83 %	0,72 %

The salaries used in the valuation include an assumed increase on 1 July 2015 of 7%.

The next salary increase was assumed to take place in July 2016.

Average retirement age	65		
Mortality during employment	SA 85-90		
Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

Sensitivity analysis on the accrued liability (R Millions)

Assumption	Change	Liability	% change
Central assumptions		15.538	
General salary inflation	+1%	16.506	6%
	-1%	14.661	-6%
Average retirement age	-2 yrs	14.084	-9%
	+2 yrs	17.056	10%
Withdrawal rates	-50%	17.643	14%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 7% higher than that shown.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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19. Landfill closure provision

Reconciliation of landfill closure provision - 2015

	Opening Balance	Additions	Total
Environmental rehabilitation	37 847 344	8 688 100	46 535 444

Reconciliation of landfill closure provision - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	31 600 191	6 247 153	37 847 344

Provision for landfill closure

The municipality engages in waste disposal operations from residential and business areas within the following areas:

- Deneyville
- Oranjeville
- Sasolburg

In terms of licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs to restore the sites at the end of its useful life. The landfill sites are not licensed and the municipality could incur penalties for not being licensed.

The life spans for the individual landfill sites were calculated based on available air space and cover material available on the estimations of Metsimaholo Local Municipality as well as a survey of each landfill site by a qualify surveyer.

The estimation of cost of capping and remediation is highly sensitive to many factors, including:

- where the landfill site pose a risk to the environment more stringent capping and remediation measures may be required
- changing legislation may alter the minimum requirements for capping and remediation
- availability of capping materials
- site specific requirements may vary, as well as proposed end-use of the site
- non-inflationat linked costs like fuel
- the condition of infrastructure on site at the time of closure, for instance fencing, and storm water management

The average predicated inflation rate is 6.1% per year for the period 1 July 2015 to 30 June 2023

20. Service charges

Sale of electricity	197 423 666	179 302 902
Sale of water	254 273 285	179 906 875
Sewerage and sanitation charges	22 163 067	21 736 775
Refuse removal	32 082 706	29 606 480
	505 942 724	410 553 032

Forgone income (free portion)

Water	(19 538 348)	(24 352 435)
Electricity	(6 294 889)	(14 145 793)
Sewerage and sanitation	(2 757 535)	(2 498 267)
	(28 590 772)	(40 996 495)

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
21. Property rates		
Rates received		
Residential	72 660 567	67 411 035
Commercial	8 935 830	8 514 740
State	9 465 024	8 769 819
Small holdings and farms	8 892 871	8 115 082
Heavy industries	26 673 786	22 563 063
Less: Income forgone residential	(11 128 951)	(10 077 428)
	115 499 127	105 296 311

Residential	0.00694	cents per Rand
Businesses	0.01389	cents per Rand
Industries	0.03475	cents per Rand
State Property	0.01389	cents per Rand

Farmland		
Residential	0.00347	cents per Rand
Businesses	0.00694	cents per Rand
Industries	0.01738	cents per Rand
Private owned towns, Body Corporate, Sectional Titles	0.00347	cents per Rand
Mining	0.01738	cents per Rand
Agricultural	0.00174	cents per Rand

Unregistered Erven, Municipal services charges based on the category of property.

Valuations (R'000)

Residential	8 199 270	8 091 908
Commercial	861 588	909 887
State	677 166	672 632
Municipal	416 613	467 718
Small holdings and farms	2 933 789	2 910 449
Heavy/Light industries	997 216	880 082
Churches	108 860	109 410
Public Benefit Organisation/Service Infrastructure	51 992	52 173
Allocated, unregistered stands	11 903	28 327
5 year: Tax Holiday	40 621	77 806
	14 299 018	14 200 392

Valuations on which property rates are based are performed every four years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions.

Rebates for 2015 up to R35 000 (2014: R50 000) on value of property are granted to residential and state property owners. Rates are levied on a monthly basis, except farmland that is levied on an annual basis.

Interest at prime plus 1% is levied on rates outstanding after due date for payment.

The following properties are exempted from property rates:

- Properties owned by a religious body or organisation and residential property occupied by a minister of religion in full time service of such a church.
- Road reserves
- Railway reserves

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
21. Property rates (continued)		
The latest general valuation was implemented on 1 July 2013.		
22. Government grants and subsidies		
Operating grants		
Equitable share	107 541 535	101 698 000
Municipal Systems Improvement Grant	934 000	890 000
Financial Management Grant	1 600 000	1 550 000
Expanded Public Works Programme Integrated Grant	1 109 000	366 464
Sector Education Training Authority Grant	849 034	137 172
	<u>112 033 569</u>	<u>104 641 636</u>
Capital grants		
Municipal Infrastructure Grant	42 139 000	44 436 000
Department of Water Affairs Grant	5 989 770	2 712 000
Department of Energy Grant	7 999 916	34 500 000
Department of Co operative Governance and Traditional Affairs Grant	895 877	1 476 268
Fezile Dabi District Municipality	21 587	-
Housing Development Agency	133 737 999	-
	<u>190 784 149</u>	<u>83 124 268</u>
	<u>302 817 718</u>	<u>187 765 904</u>

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
22. Government grants and subsidies (continued)		
Conditional and unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	195 276 183	86 067 904
Unconditional grants received	107 541 535	101 698 000
	302 817 718	187 765 904

Equitable share

Equitable share was received in terms of Section 214(1) of the Constitution (Act No. 108 of 1996). An amount of R 633 536 was withheld because of Expanded Public Works Programme Interfrated Grant not utilising all their funds in prior years.

A Council Resolution was taken to use some of the grant for free basic services to residents.

Equitable share is also used to allocate 6kl water,25kWh(2014: 50kWh) electricity and basic sewer per month to households. Indigent households are allocated an additional 4kl water, 25kWh electricity,additional sewer, refuse and R50 per month on Rates.

Municipal System Improvement Grant

Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
	-	-

To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems.

Financial Management Grant

Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 000)	(1 550 000)
	-	-

The Municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery.

Expanded Public Works Programme Integrated Grant

Balance unspent at beginning of year	633 536	-
Current-year receipts	1 109 000	1 000 000
Conditions met - transferred to revenue	(1 109 000)	(366 464)
Withheld	(633 536)	-
	-	633 536

Conditions still to be met - remain liabilities (see note 16).

Appointment of workers on the Extended Public Works Program.

The unspent grant of R633 536 at the end of 2014 financial year was paid back to National Treasury in the current financial year.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
22. Government grants and subsidies (continued)		
Municipal Infrastructure Grant		
Current-year receipts	42 139 000	44 734 000
Conditions met - transferred to revenue	(42 139 000)	(44 436 000)
Other	-	(298 000)
	<u>-</u>	<u>-</u>
Funds received for installation of infrastructure.		
Department of Water Affairs Grant		
Current-year receipts	6 000 000	2 712 000
Conditions met - transferred to revenue	(5 989 770)	(2 712 000)
	<u>10 230</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 16).		
The Municipality received funds from the Department of Water Affairs for water purification.		
Department of Energy Grant		
Current-year receipts	8 000 000	34 500 000
Conditions met - transferred to revenue	(7 999 916)	(34 500 000)
	<u>84</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 16).		
Installation of electricity in the Municipality's area, financed by the Department of Energy. .		
Department of Co operative Governance and Traditional Affairs Grant		
Balance unspent at beginning of year	1 600 861	3 077 129
Conditions met - transferred to revenue	(895 877)	(1 476 268)
	<u>704 984</u>	<u>1 600 861</u>
Conditions still to be met - remain liabilities (see note 16).		
Funds received for installation of infrastructure. The tender was awarded late and the project is still in progress.		
Fezile Dabi District Municipality Grant		
Current-year receipts	21 587	-
Conditions met - transferred to revenue	(21 587)	-
	<u>-</u>	<u>-</u>
Computers donated by Fezile Dabi Districts Municipality		

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
22. Government grants and subsidies (continued)		
Sector Education Training Authority Grant		
Balance unspent at beginning of year	1 269 896	1 269 896
Current-year receipts	439 740	137 172
Conditions met - transferred to revenue	(849 034)	(137 172)
	860 602	1 269 896

Conditions still to be met - remain liabilities (see note 16).

The Municipality received funds from Sector Education Training Authority for excellence performance by human resources division. The funds must be utilised towards training. The process in appointing in appointing service providers to provide training was delayed.

Provincial Government

Balance unspent at beginning of year	-	694 895
Other	-	(694 895)
	-	-

Funds for waterworks at laboratory. Funds for development programs. Funds received from Housing award to purchase computers.

Housing Development Agency

Current-year receipts	133 737 999	-
Conditions met - transferred to revenue	(133 737 999)	-
	-	-

Land was purchased and transferred into the name of the municipality by the Housing Development Agency. The land is earmarked for the development of mainly residential stands.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 53 of 2000), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
23. Revenue		
Connection fees	1 614 315	2 777 410
Dividends received	88 183	78 385
Fines	22 876 411	15 854 944
Government grants & subsidies	302 817 718	187 765 904
Income legal cost	4 254 028	2 245 691
Interest received - consumers	14 576 318	17 139 242
Interest received - investment	2 167 164	1 693 563
Levies - refuse dumpyard	1 070 621	402 792
Licences and permits	148 515	145 594
Non-payment fees	2 330 959	3 144 753
Other income	2 761 913	2 857 125
Property rates	115 499 127	105 296 311
Public contributions and donations	7 699 428	3 005 858
Rental of facilities	4 599 853	4 857 964
Service charges	505 942 724	410 553 032
	988 447 277	757 818 568
The amounts included in revenue arising from exchanges of goods or services are as follows:		
Connection fees	1 614 315	2 777 410
Dividends received	88 183	78 385
Income legal cost	4 254 028	2 245 691
Interest received - consumers	14 576 318	17 139 242
Interest received - investment	2 167 164	1 693 563
Levies - refuse dumpyard	1 070 621	402 792
Licences and permits	148 515	145 594
Non-payment fees	2 330 959	3 144 753
Other income	2 761 913	2 857 125
Rental of facilities	4 599 853	4 857 964
Service charges	505 942 724	410 553 032
	539 554 593	445 895 551
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Fines	22 876 411	15 854 942
Property rates	115 499 127	105 296 311
Transfer revenue		
Government grants & subsidies	302 817 718	187 765 904
Public contributions and donations	7 699 428	3 005 858
	448 892 684	311 923 015

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
24. Public contributions and donations		
Public contributions and donations - Creche	-	2 250 000
Public contributions and donations - Library	1 666 000	667 000
Public contributions and donations - Rejuvenation	6 033 428	88 858
	7 699 428	3 005 858
Reconciliation of conditional contributions		
Current-year receipts	7 699 428	3 005 858
Conditions met - transferred to revenue	(7 699 428)	(3 005 858)
	-	-

Conditions still to be met - remain liabilities (see note 16)

The funds transferred to current year were recieved from the Provincial Department of Sport, Arts and Culture for the payment of salaries for library staff. The creche was donated in 2013/2014. A compactor for the landfill site was donated and traffic circles were built by the Rejuvenation project 2014/2015 financial year. A fire truck was donated by the Rejuvenation project in 2013/2014.

25. Other income

Billboards	280 846	216 328
Building plan fees	240 217	279 732
Cemetery fees	288 070	134 352
Clearance certificates	241 985	216 820
Entrance fees	671 278	817 855
Fire services rendered	263 473	224 856
Lost library books	2 665	1 650
Photo copies	144 483	141 706
Private telephone calls	86 793	193 851
Sundry revenue	344 908	447 725
Tender documents sold	197 195	182 250
	2 761 913	2 857 125

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
26. Employee related costs		
Basic	103 277 044	105 867 854
13th Cheques and other bonuses	6 413 408	8 274 081
Contribution post retirement	1 658 938	1 666 911
Defined contribution plans	16 032 026	17 661 796
Group insurance	202 488	235 459
Housing benefits and allowances	592 451	630 314
Leave pay accrual	2 082 276	484 891
Leave pay provision	(817 976)	2 202 520
Long-service awards (note 18)	587 557	379 649
Medical aid - company contributions	9 663 053	10 963 772
Overtime payments	10 635 487	16 393 279
Standby allowances	1 684 440	2 101 437
Transport allowance	13 274 277	12 374 956
UIF contributions	810 782	1 024 957
	166 096 251	180 261 876

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Remuneration of S.M Molala - Municipal Manager (01/11/2012 - 30/06/2015)

Annual remuneration	1 476 490	1 365 062
Car allowance	240 000	240 000
Travel, motor car, accomodation, subsistence and other allowances	41 801	36 622
	1 758 291	1 641 684

Remuneration of A. Lambat - Chief Financial Officer (04/11/2013 - 30/06/2015)

Annual remuneration	1 570 590	974 110
Car allowance	24 000	16 000
Transport claim	-	7 056
Other	33 088	20 000

Remuneration of A. Vorster - Acting Chief Financial Officer (01/07/2013 - 31/10/2013)

Annual remuneration	-	208 802
	1 627 678	1 225 968

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
26. Employee related costs (continued)		
Remuneration of R. Thekiso - Director Technical Services and Infrastructure (01/09/2009 - 28/02/2014)		
Annual remuneration	-	694 134
Car allowance	-	239 063
Housing subsidy	-	90 000
Contributions to UIF, medical and pension funds	-	3 402
Telephone allowance	-	5 137
Redemption of leave	-	58 447
Remuneration of M.D. Ndaba - Acting Director Technical Services and Infrastructure (01/03/2014-30/06/2014)		
Annual remuneration	-	107 925
Remuneration of I.S. Mokgatle - Director Technical Services and Infrastructure (01/07/2014 - 30/06/2015)		
Annual remuneration	925 012	-
Car allowance	409 291	-
Telephone allowance	30 000	-
Other	1 855	-
	1 366 158	1 198 108
Remuneration of M.J.M. Maseola - Director Organisational Development and Corporate Services (01/02/2013-30/06/2015)		
Annual remuneration	1 136 838	1 164 132
Car allowance	120 000	120 000
Housing subsidy	120 000	120 000
Telephone allowance	30 000	30 000
Other	11 784	-
	1 418 622	1 434 132
Remuneration of S.L Lempe - Director Social Services (01/02/2013 - 30/06/2015)		
Annual remuneration	1 063 362	974 132
Car allowance	190 000	190 000
Housing subsidy	120 000	120 000
Transport claims	2 676	4 347
Other	30 000	30 000
	1 406 038	1 318 479
Remuneration of S.J. Monyaki - Director Economic Development (01/02/2013 - 30/06/2015)		
Annual remuneration	1 003 362	914 132
Car allowance	270 000	270 000
Housing subsidy	100 000	100 000
Transport claims	3 291	3 148
Other	30 000	30 000
	1 406 653	1 317 280
Total Employee related costs	175 079 691	188 397 527

Metsimaholo Local Municipality

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Figures in Rand	2015	2014
27. Remuneration of Councillors		
Executive Mayor	766 897	745 621
Council Whip	580 390	548 719
Mayoral Committee Members	4 643 120	4 093 657
Speaker	617 689	583 907
Councillors	7 801 416	7 201 440
	14 409 512	13 173 344

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

Remuneration per councillor

Executive Mayor

Maklaku BT	766 896	745 621
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Council Whip

Soetsang TL	580 389	548 719
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Mayoral Committee Members

Khonto MW	580 390	548 719
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Kubheka NJ	580 390	548 719
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Mabasa KT	580 390	548 744
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Mabefu RJ (Appointed 10 October 2013)	580 390	400 652
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Makhoba (Appointed 10 October 2013)	580 390	400 652
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Radebe AN	580 390	548 719
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Semonyo LS	580 390	548 719
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Tshongwe SL	580 390	548 719
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Speaker

Matena SZ	617 689	583 908
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Councillors

Chebase LR	244 676	232 008
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Coetzer FC	244 676	232 008
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Du Plessis J	244 676	232 008
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Du Toit T	244 676	232 008
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Geyser JJ	244 676	232 008
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Grobbelaar JJ	244 676	232 008
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Holt S (Resigned 13 February 2015)	152 137	232 008
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Khunou SB	244 676	232 008
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Lelahla JM	244 676	232 008
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Machafa MF	244 676	232 008
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Mahlangu PJ	244 676	232 008
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Mare AK	244 676	232 008
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Maseko VJ	244 676	232 008
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Mdola NL	244 676	232 008
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Mnune MS (Appointed 12 February 2014)	244 676	89 304
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Mofokeng SS	244 676	232 008
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Mofokeng TJ	244 676	232 008
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Mokoena DE	244 676	232 008
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Moolman HJ	244 676	232 008
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Moreki S	244 676	232 008
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Mosia MM	244 676	232 008
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Mosia TE (Chairperson MPAC- 17 September 2014)	480 245	232 008
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Motloung DN (Resigned 23 October 2013)	-	73 653
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Msimanga MJ (Resigned 02 September 2013)	-	39 588
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Mtshalo NM	244 676	232 008
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Nthebe MD	244 676	232 008
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Ntoane MG	244 676	232 008
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Oswald DM	244 676	232 008
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Poho MS	244 676	232 008
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Ramathesele SI (Resigned 01 September 2013)	-	38 668
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Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
27. Remuneration of Councillors (continued)		
Rampala AM (Appointed 13 March 2015)	73 432	-
Sejaki MN	244 676	232 008
Tamane MA	244 676	232 008
Van der Walt MC	244 676	232 008
Viljoen JD	244 676	232 008
	14 409 512	13 173 344

28. Depreciation and amortisation

Intangible assets	34 439	84 393
Investment property	25 791	25 791
Property, plant and equipment	38 631 868	32 128 154
	38 692 098	32 238 338

29. Finance costs

Current borrowings	672 683	759 788
Finance leases	-	960 889
Other interest	3 929 444	560 884
	4 602 127	2 281 561

30. Debt impairment

Contributions to allowance for impairment	116 556 594	91 918 392
Receivables from exchange transactions	88 677 421	69 039 462
Receivables from non-exchange transactions	27 879 173	22 878 930
	116 556 594	91 918 392

31. Bulk purchases

Electricity	166 459 204	155 374 885
Water	112 761 064	100 197 834
	279 220 268	255 572 719

Distribution losses

2015	Purchase	Sold	Difference	% (Loss) / Gain
Electricity (kWh)	215 447 365	197 664 136	(17 783 229)	(8,25)%
Water (kl)	20 082 700	14 263 322	(5 819 278)	(28,98)%
2014	Purchase	Sold	Difference	% (Loss) / Gain
Electricity (kWh)	219 332 234	194 324 004	(25 008 230)	(11,40)%
Water (kl)	19 932 397	18 897 478	(1 034 919)	(5,19)%

Unaccounted consumption can be a result of:

-
- Distribution losses;
- Internal use that is not metered and not read;
- Illegal connections and theft; and
-

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
32. Contracted services		
Other contractors	13 811 810	11 771 932
Specialist services	69 404 492	12 199 764
	83 216 302	23 971 696
<u>Specialist services</u>		
Security services	69 404 492	12 199 764
<u>Other contractors</u>		
Cash security	-	69 826
Cleaning services	1 672 888	1 724 551
Delivery of summonses/traffic fines	1 335 079	1 479 647
Disconnection and re-connection of services	709 292	103 989
Easy pay commission	700 344	695 528
Electricity pre-paid service	6 182 418	5 632 793
Printing services	3 211 789	2 065 598
	13 811 810	11 771 932
33. Grants and subsidies paid		
<u>Other subsidies</u>		
Equitable Share	23 527 965	32 193 226
Equitable share is used to subsidise registered indigents.		

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
34. General expenses		
Advertising	1 383 595	876 651
Auditors remuneration	5 608 451	4 365 617
Bank charges	421 996	451 589
Bursaries	1 941 299	1 133 105
Computer expenses	2 812 371	1 170 450
Conferences and seminars	805 515	910 469
Connection charges	631 286	495 919
Consulting and professional fees	10 724 571	8 158 941
Electricity Charges	8 423	4 961
Entertainment	93 811	216 443
Fuel and oil	4 444 783	7 497 775
Insurance	1 181 570	741 139
Magazines, books and periodicals	9 484	18 210
Marketing	481 580	87 719
Medical expenses	227 798	24 255
Other expenses	1 320 372	1 270 459
Postage and courier	1 447 025	1 388 510
Printing and stationery	724 193	893 524
Promotions	3 736	88 031
Provision for rehabilitation of landfill site	8 688 101	6 247 153
Public Programme	1 838 470	1 351 366
Rental equipment	1 685 877	909 479
Royalties and license fees	323 814	216 352
Sewer treatment	14 278 052	13 516 972
Skills Development Levy	1 466 744	1 562 252
Stock and materials	770 396	814 612
Subscriptions and membership fees	2 120 141	1 838 456
Telephone	1 942 635	1 729 826
Title deed search fees	640 618	432 556
Training	1 362 866	126 691
Training LG SETA	310 072	-
Travel - local	1 247 482	739 588
Uniforms	596 720	876 481
	71 543 847	60 155 551

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
35. Cash generated from operations		
Surplus	148 944 716	40 168 326
Adjustments for:		
Depreciation and amortisation	38 692 098	32 238 338
Gain on sale of inventory	5 157 814	4 552 473
Housing Development Agency - conditional grant received - land	(133 737 999)	-
Loss on sale of property, plant and equipment	(563 009)	1 636 248
Fair value adjustments	(1 392 512)	(7 588 771)
Debt impairment	116 556 594	91 918 391
Movements in operating lease assets and accruals	328 472	387 548
Movements in landfill closure provision	8 688 100	6 247 158
Employee benefit obligation	2 246 495	2 046 560
Current leave and bonus accrual	(817 977)	2 202 521
Changes in working capital:		
Inventories	613 522	349 486
Receivables from non-exchange transactions	(40 481 381)	(21 910 044)
Receivables from exchange transactions	(126 090 801)	(82 348 871)
Payables from exchange transactions	22 016 392	32 985 229
Value Added Tax	3 034 080	6 547 203
Unspent conditional grants and receipts	(1 928 393)	(842 732)
Consumer deposits	2 445 663	1 634 939
Short term portion - Other financial liabilities	-	(6 436 877)
	43 711 874	103 787 125

36. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions	-	39 613 678	39 613 678
Receivables from exchange transactions	-	133 664 342	133 664 342
Cash and cash equivalents	-	26 194 963	26 194 963
Other financial assets - Listed shares	3 058 871	-	3 058 871
Other financial assets - Unit trusts	1 220 870	-	1 220 870
Other financial assets - Investments	-	30 641	30 641
Other financial assets - Long term receivables	-	2 622 376	2 622 376
Other financial assets - Short term receivables	-	2 486 293	2 486 293
	4 279 741	204 612 293	208 892 034

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	189 047 563	189 047 563
Long term loan	5 783 751	5 783 751
Short term loan	1 163 296	1 163 296
Consumer deposits	16 245 856	16 245 856
	212 240 466	212 240 466

2014

Financial assets

Metsimaholo Local Municipality

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Figures in Rand	2015	2014
Financial instruments disclosure (continued)		
	At fair value	At amortised cost
Receivables from non-exchange transactions	-	27 011 470
Receivables from exchange transactions	-	96 250 962
Cash and cash equivalents	-	26 129 149
Other financial assets - Listed shares	2 847 231	-
Other financial assets - Unit trusts	1 150 361	-
Other financial assets - Investments	-	5 427 116
Other financial assets - Long term receivables	-	3 859 040
Other financial assets - Short term receivables	-	2 292 672
	3 997 592	160 970 409
Financial liabilities		
		At amortised cost
Payables from exchange transactions		167 849 140
Long term loan		6 947 047
Short term loan		1 070 029
Consumer deposits		13 800 193
		189 666 409
37. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	42 968 340	94 121 044
• Other expenditure	21 065 455	10 137 248
	64 033 795	104 258 292
Total capital commitments		
Already contracted for but not provided for	64 033 795	104 258 292

This committed expenditure relates to contracts and will be financed by available bank facilities, accumulated surpluses, existing cash resources, funds internally generated, etc.

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
38. Contingencies		
Contingent liabilities		
Housing loans		
Guarantees for housing loans to employees at financial institutions	30 161	30 161
Leabea and Associates (Employee related matters)		
Coertzen	-	-
Kriel	-	180 000
Klaumanns & Roux	-	200 000
Samwu	-	180 000
SAMWU Mjikane	-	180 000
Hermopect	8 150 000	160 000
J F Motloun	-	160 000
Moroka Attorneys		
African Oxygen Limited T/A Afrox	-	-
Ukwazi Force CC	-	400 000
GM Marx/Metsimaholo Municipality	-	71 638
DE Malepe/Metsimaholo Municipality	-	4 269
EC Stegman/Metsimaholo Municipality	-	4 269
NJ Joubert/Metsimaholo Municipality	-	1 637
Gomac Production/Metsimaholo Municipality	-	-
AD Sehole/Metsimaholo Municipality	-	-
Capital Allowance/Metsimaholo Municipality	-	2 500 000
T Semeya/Metsimaholo Municipality	-	7 201
L van Tonder/Metsimaholo Municipality	-	37 732
Nkaiseng Attorneys		
DV Rani/Metsimaholo Municipality	2 565	-
Andries Erwee/ Metsimaholo Municipality	54 645	-
Civil suit against the municipality by a previous employee. Court ruled in favour of plaintiff. Determination of quantam is still pending		
J P Smit	-	24 300
Meyers Beukes (Settled)	58 536	40 028
Majavu Incorporated		
Alse Investment (Pty) Ltd	-	5 000 000
Siza Mekaar Construction cc	1 319 762	-
Raphaela Incorporated		
SAMWU/Metsimaholo Local Municipality	-	750 000
Melato Attroneys		
State/FJ Motloun (settled in 2014/15)	-	40 000

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
38. Contingencies (continued)		
The following cases are Small Claims Court matters:		
JP Bothe/Metsimaholo Municipality	998	
WG Clarke/Metsimaholo Municipality	2 030	
MJ Gole/Metsimaholo Municipality	2 250	
R Botha/Metsimaholo Municipality	2 180	
NT Makota/Metsimaholo Municipality	18 520	
CF Hammon/Metsimaholo Municipality	5 000	
BEJ Briel	870	
GT Motaung/Metsimaholo Municipality	1 200	
GC Rosner/Metsimaholo Municipality	2 850	
The following case is a High Court matter:		
Ernesty L Lehani/Metsimaholo Municipality	313 368	
Settlement negotiations in progress		
Sally-Anne Morgan/Metsimaholo Municipality	14 758	
The following cases are Magistrate Court matter:		
Elite Tents/Metsimaholo Municipality	97 078	
H Momberg/Metsimaholo Municipality	24 287	
J Schoultz/Metsimaholo Municipality	79 364	
J van Zyl/Metsimaholo Municipality	22 135	
GB Kubu/Metsimaholo Municipality	30 427	
ACJ Calitz/Metsimaholo Municipality	21 182	
Johan van Niekerk/Metsimaholo	21 048	
IA van der Watt/Metsimaholo/Municipality	65 265	
Oil Number Plates and Signs/Metsimaholo Municipality	71 000	
C van der Vyfer/Metsimaholo	24 186	
Nkadimeng MR & Mofofeng MP/Metsimaholo Municipality	137 000	
Sasvaal Panelbeaters cc/Metsimaholo Municipality -no amount available	-	
Ponoane Attorneys		
SAMWU/Metsimaholo Municipality(SS Sediane)	-	216 332
FJ Motloung/Metsimaholo Municipality(setteled in2014/15)	-	30 060
Tefo Tladi Attorneys		
Spoilation Order	-	13 265
Unlicenced landfill site		
The municipality managed three landfill sites without the required licenses in contravention of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In terms of section 68(1) of the National Environmental Management: Waste Act, 2008 a fine of R10 million or imprisonment for a period not exceeding 10 years for any person convicted of the offence could be imposed. Furthermore, the municipality may be subject to legal action by other institutions or members of the public since unauthorised landfill sites are operated that could have an environmental, health or safety risk to the community		

Metsimaholo Local Municipality

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Figures in Rand	2015	2014
39. Related parties		
Relationships		
Councillor's interest		
- Phepheng Lelahla JM	Grey Construction (Civil & Mechanical)	
- Mahlangu PJ	Kgutlo Thako Funeral Services	
- Holt S	FoAule 500cc	
- Maseko VJ	Living Fountains (Church)	
- Grobbelaar JJ	In his footprints (Non-profitable christian)	
- Radebe AN	Maitshokolla	
- Makhoba KJ	Uhuru Property	
	Paballo Ya Bomme	
- Nthebe MD	Alaska One (Pty) Ltd	
- Soetsang T L	Nyakaza Mfazi Primary co-operative limited	
- Khunou SB	COLHIL (SERVICE PROVIDER CC)	
- Mofokeng TJ	Asazi funeral parlour	
	Asazi Inn	
	Soxi Electronics and IT Centre	
- Mosia TE		
Director's interest		
- Molala SM	Sentech Socited (Communications)	
	Afriscapes CC (Capacity building)	
- Thekiso R	Thete Consulting Engineers and Project (Director/Member)	
	Teane & Thekiso Consulting Engineering (Member)	
- Maseola M	Khumase CC (Construction and transport)	
- Monyaki SJ	Raleoa Trading (Tourism retail)	
	Bold Moves 198 (Properties, tourism, retail)	
- Lambat A	Lambat & Pochee Chartered Accountants	
	New Redruth Motors CC	
Post employment benefit plan for employees	Refer to note 18	
Members of key management	Refer to note 26	
Executive Council Members	Refer to note 27	
40. Prior period errors		
The prior year has been amended to account for prior period errors.		
Below is a description of each individual prior period error followed by a summary of the total effect of the prior period errors on the amounts previously disclosed.		
1. Expenses not accrued in prior years		
Some general expenses, repairs and maintenance, employee cost, and finance cost were incorrectly accrued in 2012//2013 and 2013/2014 years. These have been corrected and the 2013/2014 amounts restated accordingly.		
The effect of this adjustment on the prior year is as follows:		
Adjustment against the opening accumulated surplus 1 July 2013	-	614 874
Adjustments affecting the statement of financial position		
Increase in payables from exchange transactions	-	(794 804)
Adjustments affecting the statement of financial performance		
Increase in general expenditure	-	452 186
Increase in repairs and maintenance	-	44 744
Increase in employee cost	-	48 954
Decrease in finance charges	-	(365 955)
	-	179 929

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
40. Prior period errors (continued)		
2. Revenue incorrectly accounted in the prior years		
Some rates, interest on consumers and other income were incorrectly billed in 2012/2013 years. These have been corrected and the 2013/2014 amounts be restated accordingly.		
The effect of these adjustments on the prior year are as follows:		
Adjustment against the opening accumulated surplus 1 July 2013	-	(13 543)
Adjustments affecting the statement of financial position		
Increase in receivables from non -exchange transactions	-	13 543
3. Fire truck donated to the municipality in previous financial year		
A fire truck was donated by the Rejuvenation project and not captured in 2013/2014 year. These were corrected and the 2013/2014 amounts restated accordingly.		
The effect of this adjustment on the prior year is as follows:		
Adjustments affecting the statement of financial position		
Increase in PPE	-	79 972
Adjustments affecting the statement of financial performance		
Increase in depreciation	-	8 886
Increase in public donation	-	(88 858)
	-	(79 972)
4. Write off deposits		
Deposits registers on posters, accomodation and buildings were cleared. These have been corrected and the 2012/2013 and restated accordingly.		
Adjustment against the opening accumulated surplus 1 July 2013	-	(66 634)
Adjustments affecting the statement of financial position		
Decrease in payables from exchange transactions	-	66 634
5. Assets identified		
PPE (assets) identified and taken on in 2013/2014 financial year. These have been corrected and the 2013/2014 PPE restated accordingly.		
The effect of these adjustments on the prior year are as follows:		
Adjustments affecting the statement of financial position		
Increase in PPE	-	465 000
Decrease in accumulated surplus	-	(465 000)
	-	-
6. Write off dormant votes		
The votes on claims/subsidies and group insurance payments were cleared. These transations have been corrected and the 2012/2013 amounts were restated accordingly.		
The effect of these adjustments on the prior year are as follows:		

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
40. Prior period errors (continued)		
Adjustment against the opening accumulated surplus 1 July 2013	-	376 879
Adjustments affecting the statement of financial position		
Decrease in receivables from exchange transactions	-	(376 879)
7. Dividends received from Sanlam shares		
Dividends were received from Sanlam for the shares. These have been corrected in 2012/2013 and 2013/14 have been restated.		
The effect of these adjustments on the prior year are as follows:		
Adjustment against the opening accumulated surplus 1 July 2013	-	(88 146)
Adjustments affecting the statement of financial position		
Increase in receivables from exchange transactions	-	166 531
Adjustments affecting the statement of financial performance		
Increase in dividends received	-	(78 385)
8. Unauthorised expenditure		
During the preparation of the 2014/2015 financial statements duplicate unauthorised expenditure has been identified which relates to the prior year. This error resulted in the overstatement of the prior year unauthorised expenditure with an amount of R806,924. These have been corrected and 2013/2014 amounts in note 50 restated accordingly.		
The effect of the adjustment on the prior year is as follows:		
Adjustment affecting the opening balance		
Decrease in Unauthorised expenditure - 2008/09	-	(806 924)
9. Irregular expenditure		
During the preparation of the 2014/2015 financial statements duplicate irregular expenditure has been identified which relates to the prior year. This error resulted in the overstatement of the prior year unauthorised expenditure with an amount of R2,679,178. These have been corrected and 2013/2014 amounts in note 49 restated accordingly.		
Adjustment affecting the opening balance		
Decrease in 2007/08 expenditure	-	2 679 178
Adjustments affecting the current year expenditure		
Increase in expenditure	-	7 244 205

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
40. Prior period errors (continued)		
10. Fruitless and wasteful expenditure		
The municipality embarked on a detail investigation of prior year's payments to ensure that all fruitless and wasteful expenditure is disclosed and to ensure that the disclosure is accurate. This detail investigation resulted in prior year disclosure being overstated with R378,033. These have been corrected and 2013/2014 amounts in note 48 restated accordingly.		
Adjustments affecting the current year expenditure		
Decrease in Fruitless and wasteful -current year	-	365 955
Adjustments affecting the opening balance		
Decrease in Fruitless and wasteful expenditure -2012/2013	-	12 078
11. VAT		
Some VAT were incorrectly accounted for in the 2012/2013 years. These have been corrected and the prior year amounts restated accordingly.		
The effect of this adjustment on the prior year is as follows:		
Adjustment against the opening accumulated surplus 1 July 2013	-	(150 330)
Adjustments affecting the statement of financial position		
Increase in VAT	-	150 330

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014			
40. Prior period errors (continued)					
Statement of Financial Performance for the year ended 30 June 2014	Balance as previously reported	Prior period error	Change in estimate (Note 50)	Reclassified (Note 41)	Restated balance
Revenue					
Service charges	410 553 032	-	-	-	410 553 032
Property rates	105 296 311	-	-	-	105 296 311
Government grants & subsidies	187 765 904	-	-	-	187 765 904
Interest received - trading	17 139 242	-	-	-	17 139 242
Interest received - investment	1 693 563	-	-	-	1 693 563
Non-payment fees	3 144 753	-	-	-	3 144 753
Licences and permits	145 594	-	-	-	145 594
Public contributions and donations	2 917 000	88 858	-	-	3 005 858
Fines	15 854 944	-	-	-	15 854 944
Levies - refuse dumpyard	402 792	-	-	-	402 792
Connection fees	2 777 410	-	-	-	2 777 410
Other income	2 857 125	-	-	-	2 857 125
Income legal costs	2 245 691	-	-	-	2 245 691
Rental of facilities	4 857 964	-	-	-	4 857 964
Dividends	-	78 385	-	-	78 385
Total revenue	757 651 325	167 243	-	-	757 818 568
Expenditure					
Employee related costs	(188 369 525)	(48 954)	-	20 952	(188 397 527)
Remuneration of councillors	(13 152 392)	-	-	(20 952)	(13 173 344)
Depreciation and amortisation	(32 887 021)	(8 886)	657 569	-	(32 238 338)
Finance costs	(2 647 517)	365 955	-	-	(2 281 562)
Debt impairment	(91 918 392)	-	-	-	(91 918 392)
Repairs and maintenance	(15 181 950)	(44 744)	-	-	(15 226 694)
Bulk purchases	(255 572 719)	-	-	-	(255 572 719)
Contracted services	(23 971 696)	-	-	-	(23 971 696)
Grants and subsidies paid	(32 193 226)	-	-	-	(32 193 226)
Loss on disposal of assets	(1 636 248)	-	-	(126 639)	(1 762 887)
Lease rentals on operating lease	-	-	-	(3 921 242)	(3 921 242)
General expenses	(63 624 607)	(452 186)	-	3 921 242	(60 155 551)
Total expenditure	(721 155 293)	(188 815)	657 569	(126 639)	(720 813 178)
Operating surplus / (deficit)	36 496 032	(21 572)	657 569	(126 639)	37 005 390
Actuarial gain	5 140 770	-	-	-	5 140 770
Fair value adjustments	1 763 743	-	-	-	1 763 743
Sale of stands	(4 039 975)	-	-	-	(4 039 975)
Loss on inventory	(512 499)	-	-	126 639	(385 860)
Fair value of shares	684 258	-	-	-	684 258
Surplus / (deficit) for the year	39 532 329	(21 572)	657 569	-	40 168 326

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014			
40. Prior period errors (continued)					
Statement of Financial Position as at 30 June 2013	Balance as previously reported	Prior period error	Change in estimate (Note 50)	Reclassified (Note 41)	Restated balance
Assets					
Current Assets					
Inventories	16 066 814	-	-	-	16 066 814
Other financial assets	15 218 225	-	-	-	15 218 225
Receivables from non-exchange transactions	27 208 274	(196 805)	-	-	27 011 469
Receivables from exchange transactions	96 250 962	-	-	-	96 250 962
Cash and cash equivalents	26 129 149	-	-	-	26 129 149
Total current assets	180 873 424	(196 805)	-	-	180 676 619
Non-current Assets					
Investment property	87 338 918	-	-	(898 000)	86 440 918
Property, plant and equipment	924 971 841	544 972	4 119 128	898 000	930 533 941
Intangible assets	479 616	-	-	-	479 616
Heritage assets	561 000	1	-	-	561 001
Other financial assets	3 859 041	-	-	-	3 859 041
Total non-current assets	1 017 210 416	544 973	4 119 128	-	1 021 874 517
Liabilities					
Current Liabilities					
Operating lease liability	871 174	-	-	-	871 174
Payables from exchange transactions	167 120 969	728 170	-	-	167 849 139
VAT payable	1 178 187	(150 330)	-	-	1 027 857
Consumer deposits	13 800 193	-	-	-	13 800 193
Unspent conditional grants and receipts	3 504 293	-	-	-	3 504 293
Short term portion - Long term loans	1 070 029	-	-	-	1 070 029
Total current liabilities	187 544 845	577 840	-	-	188 122 685
Non-current Liabilities					
Employee benefits obligation	42 419 302	-	-	-	42 419 302
Landfill closure provision	37 847 344	-	-	-	37 847 344
Long term loan	6 947 047	-	-	-	6 947 047
Total non-current liabilities	87 213 693	-	-	-	87 213 693
Net Assets					
Accumulated surplus - Opening balance	883 792 972	(673 100)	3 461 558	-	886 581 430
Surplus / (deficit) for the year	39 532 329	(21 572)	657 569	-	40 168 326
Take on assets	-	465 000	-	-	465 000
Total net assets	923 325 301	(229 672)	4 119 127	-	927 214 756

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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41. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial position

Decrease in Investment Property	(898 000)
Increase in PPE	898 000

Statement of Financial Performance

Increase lease rentals on operating lease	(3 921 242)
Decrease general expenses	3 921 242
Decrease in employee cost	(20 952)
Increase in councillors 's allowances	20 952
Increase loss on disposal of assets	(126 639)
Decrease loss on inventory	126 639

Comparative amounts have been reclassified :

1. Investment Property : Land and Buildings reclassified as Property, Plant and equipment R898 000
2. Lease rentals on operating leases shown separate on Statement of Performance, R3 921 242
3. Telephone allowance corrected to Telephone Allowance of Executive Mayor R20 952
4. Loss on inventory reclassified to loss on disposal of stands, R126 639.

42. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: credit risk and liquidity risk and market risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	189 047 563	-	-	-
Consumer deposits	16 245 856	-	-	-
Short term portion - Long term loan	1 163 296	-	-	-
Long term loan	-	5 783 751	-	-
At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	167 849 140	-	-	-
Consumer deposits	13 800 193	-	-	-
Short term portion - Long term loan	1 070 029	-	-	-
Long term loan	-	6 947 047	-	-

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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42. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Receivables from exchange transactions	133 664 342	96 250 962
Receivables from non-exchange transactions	39 613 678	27 011 470
Cash and cash equivalents	26 194 963	26 129 149
Other financial assets - short term	8 369 127	15 218 225
Other financial assets - long term	2 622 376	3 859 041

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Figures in Rand	2015	2014
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42. Risk management (continued)

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

43. Going concern

We draw attention to the fact that at 30 June 2015, the municipality had accumulated surplus of R 1 076 159 472 (2014: R 923,325,302) and that the municipality's total assets exceed its liabilities by R 1 076 159 472 (2014: R 923,325,302). Current assets exceed current liabilities by R5 289 979 (2014: Current liabilities exceed current assets by R7 446 066)

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality.

44. Events after the reporting date

The Accounting Officer identified the following non-adjusting events arising since reporting date:

- Sewer spillage in Deneysville is still raised by the community as a ongoing concern.

45. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

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46. Budget differences

Material differences between budget and actual amounts

1. Service charges - Electricity sales that were less than the budget, only 86% of budget, and refuse charges 79% of the budget.
2. Non-payment fees - The actions against the non payers were restricted.
3. Licence and permits -The money collected on licences and street trading were less than budget.
4. Fines-The fines allocated in terms of GRAP exceeded the budget.
5. Connections fees - Less consumers applied for the new connections to service network than budget.
6. Income legal cost - Less actions were taken against consumers than anticipated with the budget.
7. Interest received - investments - The adjustment budget decrease and interest rate increase, resulting in additional income.
8. Government grants and subsidies - Additional R133 million was received from the Housing Development Agency for development of stands.
9. Public donations and grants - Donations were received from Rejuvenation and Fezile Dabi District Municipality.
10. Employee related cost - The labour unrest and employment of staff have an influence on the actual expenditure.
11. Depreciation -A change in estimate usefull lives contributed that only 77% of the budget was allocated.
12. Finance cost - Interest paid on arrear Eskom accounts were higher than anticipated.
13. Repairs and Maintenance was spend 90% of the budget.
14. Bad debts written off - The collection rate was lower than anticipated.
15. Lease rentals on operating lease - Government Garage expenditure.
16. Bulk Purchase - less purchase than anticipated.
17. Grants and subsidies- due to staff problems the registration of indigent consumers were slow.

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
47. Unauthorised expenditure		
Opening balance	117 225 894	90 684 496
Unauthorised expenditure - current year	30 131 719	26 541 398
Approval by Council or condoned July 2012	(83 443 160)	-
Approval by Council or condoned July 2015	(33 769 370)	-
	30 145 083	117 225 894

Details of unauthorised expenditure – current year

Financial Services exceeded Budget:R36 827 950 Actual Expenditure R66 395 340	29 567 390
Local Economic Development and Housing exceeded Budget R21 576 410 actual expenditure R22 140 739	564 329
	30 131 719

Details of unauthorised expenditure - prior year

Employees

Financial services exceeded: Budget R35,561,230 actual expenditure R62,102,628	26 541 398
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Details of unauthorised expenditure condoned - current year

Over expenditure - Office of Municipal Manager	2 129 211
Over expenditure - Financial services	11 618 906
over expenditure - Local Development and Economic Planning	3 074 473
Provisions - Financial services	1 494 531
General expenditure - Financial services	1 822 436
Provision for bad debts - Financial services	56 080 683
Finance cost - Financial services	3 987 835
Exceeding budget - Office of the Mayor	1 056 303
Depreciation - Financial services	2 178 782
Accommodation - Beethovens guest house	42 456
Exceeding budget - Financial services	7 185 516
Exceeding budget - Financial services	26 541 398
	117 212 530

48. Fruitless and wasteful expenditure

Opening balance	8 856 755	7 823 833
Fruitless and wasteful expenditure - current year	3 929 444	1 032 922
Condoned or written off by Council	-	-
	12 786 199	8 856 755

Details of fruitless and wasteful expenditure – current year

Telkom- Payment of telephone accounts.	37 848
Interest charged on the late payment of accounts	
Sheriff Sasolburg - Payment of interest	3 643

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
48. Fruitless and wasteful expenditure (continued)		
BHR - Payment of interest on late payment of copies	2 744	
Sasol - Payment of interest of late payment of petrol account	10 296	
Auditor General - Interest on late payment	54 382	
Rand Water - Interest on the late payment of water account	23 911	
SA Post Office - Interest on late payment	20	
ESKOM - Interest paid on the late payments of electricity accounts	3 790 764	
Free State Provincial Government - Late payment of licence fees	742	
Development Bank of South Africa - partial payment of repayment of loan	5 094	
	3 929 444	

Details of fruitless and wasteful expenditure - prior year

Post Office - Payment for post of accounts. Interest charged on late payment of accounts	20
Telkom - Payment for telephone lines and calls. Interest charged for late payment of account.	7 501
ESKOM - Payment for bulk services of electricity. Interest charged for late payment of account.	168 083
Rand Water - Payment for bulk services of water. Interest charged for late payment of account.	147 276
ABSA Bank - Interest charged. Sweeping on revenue account done by ABSA took account into an overdraft.	1 650
	-
SARS - Interest charged for late submission.problems experienced with e-filing.	233 014
North West University - Payment for studies of student sponsored by the Executive Mayor. Interest charged for late payment of account.	95
Development Bank of South Africa - Payment for redemption of loan. Interest charged for late payment of account.	2 909

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
48. Fruitless and wasteful expenditure (continued)		
Stones Plant Hire - Payment for hiring of equipment.		485
Interest charged for late payment of account.		
Auditor General - Payment for assurance work performed.		6 031
Interest charged for late payment of account.		
Anto boga Hotel - Payment for accommodation. Course time reduced by COGTA after payment was made. Hotel refused to refund		5 082
F J Motloun received settlement after labor case between Mr Motloun and Municipality. Case in favour of Mr Motloun		444 768
P Roodt Value R88201.80, case # 1897/13 Kamati Incorporated vs Metsimaholo Local Municipality, interest on judgement debt		16 008
		1 032 922

49. Irregular expenditure

Opening balance	207 143 293	80 763 551
Add: Irregular Expenditure - current year	51 562 932	65 034 263
Add: Irregular Expenditure - prior year 2010/2011	-	17 203 639
Add: Irregular Expenditure - prior year 2011/2012	-	20 175 958
Add: Irregular Expenditure - prior year 2012/2013	-	23 965 882
Less: Amounts condoned Item 11.2 Council meeting 30 June 2015	(15 227 510)	-
Less: Amounts condoned Item 11.1 Council meeting 30 June 2015	(23 389 857)	-
	220 088 858	207 143 293

Analysis of expenditure per classification

Not submitting the minimum quotations for acquiring goods and services	393 893	1 596 705
Unauthorised sole supplier	7 491 457	261 545
Supplier did not submit declarations of interest	467 690	1 500 648
Supplier not on the accredited prospective providers list and the listing requirements not met	818 178	1 944 875
Invoices deliberately split	138 509	257 450
Competitive bidding process not followed	19 909 213	40 824 530
Contract / SLA expired ie exceeds three years, no valid approval for extension	4 782 699	11 634 705
No supporting documentation (payment vouchers and/or tender documentation)	7 998 992	5 057 458
Bid specifications did not specify the minimum threshold for local production and content as required by PPR9	908 785	610 096
Tax clearance not submitted	8 653 516	1 346 251
	51 562 932	65 034 263

50. Change in estimate

Property, plant and equipment

The useful life of property, plant and equipment items in the asset register on 1 July 2014 was extended with 2 and 3 years. The effect of this revision has decreased the depreciation charges for the current and future periods by R 657,569.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
51. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	2 100 000	1 809 818
Amount paid - current year	(2 100 000)	(1 809 818)
	<u>-</u>	<u>-</u>
Audit fees		
Opening balance	(150 283)	-
Current year subscription / fee	5 813 116	4 822 252
Amount paid - current year	(5 608 451)	(4 951 858)
Interest	(54 382)	(20 677)
	<u>-</u>	<u>(150 283)</u>
PAYE and UIF		
Current year subscription / fee	27 647 446	27 882 675
Amount paid - current year	(27 647 446)	(27 882 675)
	<u>-</u>	<u>-</u>
Pension and medical aid deductions		
Current year subscription / fee	42 123 803	46 076 515
Amount paid - current year	(42 123 803)	(46 076 515)
	<u>-</u>	<u>-</u>
VAT		
VAT payable	<u>4 061 937</u>	<u>1 027 857</u>

VAT output payable and VAT input receivable are shown in note 14.

All VAT returns have been submitted by the due date throughout the year.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
51. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Councillors' arrear consumer accounts		
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:		
30 June 2015	Outstanding more than 90 days R	Total R
Chebase E (Acc no 601490)	33 121	33 121
Khonto MW (Acc no 528629)	6 874	6 874
Khunou PJ (Acc no 103351 and 575822))	9 700	9 700
Mabasa KT (Acc no 579460)	5 059	5 059
Machaea MF (Acc no 103252) (August 2014)	847	847
Mahlangu J (Acc no 612694)	93 311	93 311
Maseko VJ (Acc no 590415 and 611123) (December 2014)	549	549
Mdola NL (Acc no 799083 and 577984)	893	893
Mofokeng SS (Acc no 566560) (May 2015)	1 214	1 214
Mofokeng TJ (Acc no 511539)	72 476	72 476
Mokoena DE (Acc no 595204 and 611797) (November 2014)	4 660	4 660
Moreki S (Acc no 526465)	61 251	61 251
Mosia MM (Acc no 555731) March 2015)	2 644	2 644
Mtshali BP (Acc no 103466 and 562315)	88 772	88 772
Ntebe MD (Acc no 104154 and 578880)	90 300	90 300
Ntoane MG (Acc no 690333)	3 046	3 046
Poho MS (Acc no 512681 and 589204)	1 687	1 687
Radebe M (Acc no 526972) (October 2014)	533	533
Sejaki PS (Acc no 6012077 and 565498)	34 135	34 135
Tamane WL (Acc no 551238)	827	827
	511 899	511 899
30 June 2014	Outstanding more than 90 days R	Total R
Chebase E (Acc no 601490)	28 434	28 434
Khonto MW (Acc no 528629)	6 927	6 927
Khunou PJ (Acc no 103351)	14 883	14 883
Mabasa KT (Acc no 579460)	2 172	2 172
Machaea MF (Acc no 103252)	112	112
Mahlangu J (Acc no 612694)	74 354	74 354
Maseko VJ (Acc no 611123 and 565830)	10 092	10 092
Mdola NL (Acc no 799083)	7 273	7 273
Mofokeng TJ (Acc no 511539)	11 625	11 625
Mokoena E (Acc no 611797)	3 000	3 000
Moreki S (Acc no 526465)	63 730	63 730
Mosia MM (Acc no 555731)	2 333	2 333
Mtshali BP (Acc no 103466 and 562315)	100 699	100 699
Ntebe MD (Acc no 104154)	84 038	84 038
Poho MS (Acc no 512681 and 589204)	6 187	6 187
Radebe M (Acc no 526972)	1 135	1 135
Sejaki PS (Acc no 6012077 and 565498)	40 903	40 903
Soetsang J (Acc no 512642)	974	974
Tamane WL (Acc no 551238)	4 045	4 045
	462 916	462 916

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
51. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Supply chain management regulations		
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been condoned.		
Incident		
Emergency	8 395 651	982 502
Quotations received outside the official procurement process	1 359 585	2 995 296
Social crime prevention	50 649 420	1 315 318
Sole suppliers	639 307	1 878 205
	61 043 963	7 171 321
52. In-kind donations and assistance		
Other projects		
Repair and maintenance	-	14 288 851
Multi-year projects		
Resurfacing of athletics track and upgrading of stadium facilities	-	7 869 939
Security and maintenance equipment upgrade at dump site	-	1 218 069
Upgrading and installation of swimming pool equipment	-	862 256
Upgrading and safemaking of roads	-	10 967 358
Upgrading of theatre and rejuvenating of parks	-	3 233 083
	-	24 150 705

The in-kind donations and assistance relate to projects undertaken by Sasol (Pty) Ltd for the benefit of Metsimaholo Local Municipality. Many of the projects are multi-year projects which will be completed in the next financial year at which stage the underlying assets will be transferred to the Municipality and be recorded as assets in the register. However there are other projects undertaken by Sasol (Ltd) which do not result in assets but are maintenance and repairing of existing assets of the municipality at not cost. These other projects are considered to be in-kind donations and is disclosed as such.

In addition to the agreement mentioned above during 2013/2014 financial year the Free State Provincial Government has entered into an agreement with Sasol (Ltd) whereby Sasol (Ltd) will assist municipalities with certain projects that are of priority to the municipality. Metsimaholo Local Municipality is a beneficiary to this agreement. The full extent of the projects and the quantum thereof has yet to be agreed upon by the parties concerned, and as the result the value of any benefit to the municipality under this agreement cannot be quantified at this stage.

Metsimaholo Local Municipality
Appendix A

Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
Loan 61006825	9000000	8 017 077	-	1 070 029	6 947 048	-	-
		8 017 077	-	1 070 029	6 947 048	-	-
Total external loans							
Development Bank of South Africa		8 017 077	-	1 070 029	6 947 048	-	-
		8 017 077	-	1 070 029	6 947 048	-	-

Metsimaholo Local Municipality
Metsimaholo Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2015
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	89 367 357	133 737 999	-	-	-	-	223 105 356	-	-	-	-	-	-	223 105 356
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	134 306 662	-	-	-	-	-	134 306 662	(49 553 049)	-	-	(2 664 231)	-	(52 217 280)	82 089 382
	223 674 019	133 737 999	-	-	-	-	357 412 018	(49 553 049)	-	-	(2 664 231)	-	(52 217 280)	305 194 738
Infrastructure														
Roads, Pavements & Bridges	707 786 279	2 461 368	-	-	-	-	710 247 647	(470 965 217)	-	-	(20 697 912)	-	(491 663 129)	218 584 518
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	251 608 821	7 036 749	-	-	-	-	258 645 570	(112 270 100)	-	-	(6 230 649)	-	(118 500 749)	140 144 821
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	429 244 602	4 865 420	(23 718)	-	-	-	434 086 304	(256 232 333)	17 866	-	(7 287 155)	-	(263 501 622)	170 584 682
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	257 763 133	32 820 618	-	-	-	-	290 583 751	(93 099 658)	-	-	(3 008 237)	-	(96 107 895)	194 475 856
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	85 719	-	-	-	-	-	85 719	(68 575)	-	-	(3 962)	-	(72 537)	13 182
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	4 273 941	-	-	-	-	-	4 273 941	(581 093)	-	-	(87 046)	-	(668 139)	3 605 802
	1 650 762 495	47 184 155	(23 718)	-	-	-	1 697 922 932	(933 216 976)	17 866	-	(37 314 961)	-	(970 514 071)	727 408 861
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Metsimaholo Local Municipality
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Appendix B

Analysis of property, plant and equipment as at 30 June 2015	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	561 001	-	-	-	-	-	561 001	-	-	-	-	-	-	561 001
	561 001	-	-	-	-	-	561 001	-	-	-	-	-	-	561 001
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	28 590 186	4 034 828	(516 197)	-	-	-	32 108 817	(17 491 032)	363 159	-	248 615	-	(16 879 258)	15 229 559
Plant & equipment	17 231 500	1 143 108	(393 245)	-	-	-	17 981 363	(10 144 998)	300 532	-	(1 002 908)	-	(10 847 374)	7 133 989
Computer Equipment	40 083 473	118 271	-	-	-	-	40 201 744	(26 278 262)	-	-	1 019 445	-	(25 258 817)	14 942 927
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	26 167 792	7 701	(339 371)	-	-	-	25 836 122	(19 291 204)	232 388	-	1 082 171	-	(17 976 645)	7 859 477
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	112 072 951	5 303 908	(1 248 813)	-	-	-	116 128 046	(73 205 496)	896 079	-	1 347 323	-	(70 962 094)	45 165 952

Metsimaholo Local Municipality
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Appendix B

Analysis of property, plant and equipment as at 30 June 2015	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	223 674 019	133 737 999	-	-	-	-	357 412 018	(49 553 049)	-	-	(2 664 231)	-	(52 217 280)	305 194 738
Infrastructure	1 650 762 495	47 184 155	(23 718)	-	-	-	1 697 922 932	(933 216 976)	17 866	-	(37 314 961)	-	(970 514 071)	727 408 861
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	561 001	-	-	-	-	-	561 001	-	-	-	-	-	-	561 001
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	112 072 951	5 303 908	(1 248 813)	-	-	-	116 128 046	(73 205 496)	896 079	-	1 347 323	-	(70 962 094)	45 165 952
	1 987 070 466	186 226 062	(1 272 531)	-	-	-	2 172 023 997	(1 055 975 521)	913 945	-	(38 631 869)	-	(1 093 693 445)	1 078 330 552
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	863 321	-	-	-	-	-	863 321	(383 705)	-	-	(34 439)	-	(418 144)	445 177
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	863 321	-	-	-	-	-	863 321	(383 705)	-	-	(34 439)	-	(418 144)	445 177
Investment properties														
Investment property	86 902 762	-	-	-	-	-	86 902 762	(461 844)	-	-	(25 791)	-	(487 635)	86 415 127
	86 902 762	-	-	-	-	-	86 902 762	(461 844)	-	-	(25 791)	-	(487 635)	86 415 127
Total														
Land and buildings	223 674 019	133 737 999	-	-	-	-	357 412 018	(49 553 049)	-	-	(2 664 231)	-	(52 217 280)	305 194 738
Infrastructure	1 650 762 495	47 184 155	(23 718)	-	-	-	1 697 922 932	(933 216 976)	17 866	-	(37 314 961)	-	(970 514 071)	727 408 861
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	561 001	-	-	-	-	-	561 001	-	-	-	-	-	-	561 001
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	112 072 951	5 303 908	(1 248 813)	-	-	-	116 128 046	(73 205 496)	896 079	-	1 347 323	-	(70 962 094)	45 165 952
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	863 321	-	-	-	-	-	863 321	(383 705)	-	-	(34 439)	-	(418 144)	445 177
Investment properties	86 902 762	-	-	-	-	-	86 902 762	(461 844)	-	-	(25 791)	-	(487 635)	86 415 127
	2 074 836 549	186 226 062	(1 272 531)	-	-	-	2 259 790 080	(1 056 821 070)	913 945	-	(38 692 099)	-	(1 094 599 224)	1 165 190 856

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Appendix B

Analysis of property, plant and equipment as at 30 June 2014	
Cost/Revaluation	Accumulated depreciation

[illegible]

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Appendix B

Analysis of property, plant and equipment as at 30 June 2014	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	561 001	-	-	-	-	-	561 001	-	-	-	-	-	-	561 001
	561 001	-	-	-	-	-	561 001	-	-	-	-	-	-	561 001
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	32 225 791	88 858	(3 724 463)	-	-	-	28 590 186	(16 180 711)	2 532 178	-	(3 842 499)	-	(17 491 032)	11 099 154
Plant & equipment	15 934 812	1 240 369	56 319	-	-	-	17 231 500	(8 855 947)	39 359	-	(1 328 410)	-	(10 144 998)	7 086 502
Computer Equipment	8 018 213	42 297	32 022 963	-	-	-	40 083 473	(4 121 843)	(21 223 471)	-	(932 948)	-	(26 278 262)	13 805 211
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	7 066 662	-	19 101 130	-	-	-	26 167 792	(4 005 354)	(14 316 663)	-	(969 187)	-	(19 291 204)	6 876 588
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	51 616 608	-	(62 908)	(51 553 700)	-	-	-	(43 343 904)	41 643	35 877 447	7 424 814	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	114 862 086	1 371 524	47 393 041	(51 553 700)	-	-	112 072 951	(76 507 759)	(32 926 954)	35 877 447	351 770	-	(73 205 496)	38 867 455

Metsimaholo Local Municipality
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Appendix B

Analysis of property, plant and equipment as at 30 June 2014	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Metsimaholo Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun		Yes/ No	
Local Government Financial Grant	National Treasury	1 600	-	-	-	-	95	270	646	589	-	-	-	-	-	-		Yes	
Municipal Systems Improvement Grant	National Treasury	-	934	-	-	-	-	300	-	634	-	-	-	-	-	-		Yes	
Expanded Public Works Programme Integrated Grant	National Treasury	444	-	665	-	-	362	253	494	-	-	-	-	6 000	-	-	Previous year funds	Yes	
Water Services Operating Subsidy grant	National Treasury	-	4 500	1 500	-	-	-	-	-	6 000	-	-	-	-	-	-		Yes	
Municipal Infrastructure Grant	National Treasury	10 344	-	19 522	12 273	-	295	7 347	17 308	17 189	-	-	-	-	-	-		Yes	
Integrated National electrification programme Grant	National Treasury	7 000	-	1 000	-	-	-	5 350	538	2 112	-	-	-	-	-	-		Yes	
Equitable Share	National Treasury	42 569	35 213	29 126	-	-	15 480	14 418	16 383	14 726	-	-	-	-	-	-	Spending report only free basic services	Yes	
SETA	LGSETA	22	71	113	435	-	-	-	-	641	-	-	-	-	-	-			
SETA (WIL)	LGSETA	208	-	-	-	-	-	-	-	208	-	-	-	-	-	-			
		62 187	40 718	51 926	12 708	-	16 232	27 938	35 369	42 099	-	-	-	6 000	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.